Edmond Alphandéry
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Does it fly?
New doubts on the European fighter
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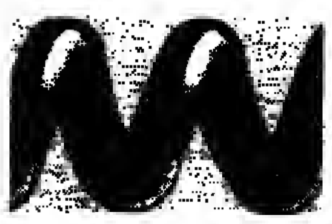

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY MAY 10 1993 — D8523A

Eurofighter costs jump 50% over initial estimates

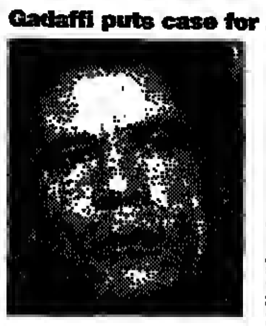
The cost of Eurofighter, the ambitious pan-European defence project, has jumped by more than 50 per cent from original estimates when development of the four-nation aircraft was launched five years ago, according to confidential official figures.

The programme is now expected to cost as much as £32bn ($49bn) at today's prices. In 1988, the joint venture partners estimated it would cost £21bn. Page 14, Background, Page 4

Looking to higher taxes: Edouard Balladur, the French prime minister, will today put his stamp on economic policy with a budget aimed at stemming the rising budget deficit by raising taxes. He will also seek to boost the stalled economy through public works spending. Page 14

Russian bills: The Russian authorities plan to press ahead with their often-postponed first Treasury bill issue on May 18. Page 17

Gadaffi puts case for mass tourism



Colonel Muammar Gadaffi (left), has suggested that Libya should encourage mass tourism to the country, make the Libyan dinar convertible and attract new foreign investment. The Libyan leader's ideas, put forward in a weekend speech, are unlikely to be translated immediately into practical steps but represent further advocacy by him of moves to liberalise the country's state-dominated economy. Page 6

Pope praises anti-Mafia judges: Thousands of Sicilians cheered when Pope John Paul paid homage to judges and prosecutors who tried to clamp down on the Mafia. Page 3

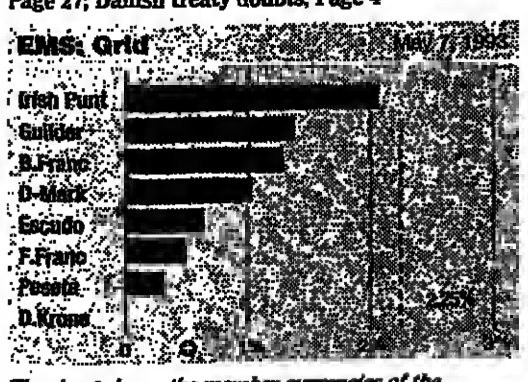
EC looks east: Proposals to accelerate the political and economic integration of six former communist countries into the EC will be examined by EC foreign ministers today. Page 2

Key HDTV meeting: EC telecommunications ministers will today get their best and possibly their last chance to persuade Britain to agree a strategy for the development of wide-screen, high-quality television in Europe. Page 2

Minister quits: Aryeh Deri, Israel's interior minister and head of the ultra-religious Shas party – one of three partners in the Labour-led coalition of prime minister Yitzhak Rabin – submitted his resignation to the cabinet. Page 6

Generali, Italy's biggest insurance company, is planning a complex capital-raising deal for its Alleanza life insurance unit. It also announced slightly higher profits for 1992 after two years of profit falls. Page 15

European Monetary System: The foreign exchange market's focus will be on the Danish krone this week. The currency weakened on Friday, amid fears that Denmark could vote "No" in next Tuesday's referendum on the Maastricht treaty. The currency is now firmly at the bottom of the grid, some 2 percentage points below the strongest currency, the Irish punt. The Dutch guilder remains some 35 basis points above the D-Mark in the grid. This is still close to the Dutch central bank's self-imposed limit of 50 basis points, despite Friday's cut in money market rates. Currencies, Page 27; *Danish treaty doubts,* Page 4



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Indian Airlines, troubled state-owned Indian carrier, has been thrown into confusion by the sudden resignation at the weekend of Mr L. Vasudev, chairman and managing director. Page 17

Plot to be probed: US investigators are seeking more evidence on whether Iraq was behind a plot to assassinate former President George Bush on a visit to Kuwait last month. Page 6

Backing expected: IG Metall, Germany's powerful engineering union, is confident it will receive support for further strike action when it holds fresh ballots in three of the remaining eastern states today. Page 14

Share swap: Peter Wood, Royal Bank of Scotland director who is likely to earn more than £10m ($15.7m) this year from its Direct Line insurance operation, is considering offering to swap his pay bonus contract for bank equity. Page 15

Fatal manoeuvre: Seventeen people died when an aircraft crashed into a crowd in the Russian city of Nizhny Tagil during an aerobatic stunt.

Italian magistrates to oppose parliament on immunity

By Haig Simonian in Milan

ITALIAN magistrates investigating alleged political corruption are to fight the Rome parliament's decision not to lift the immunity of two of the most senior politicians implicated in the widening scandal.

The move to challenge parliament over the immunity of Mr Bettino Craxi, the former Socialist leader, and Mr Severino Citaristi, former administrative secretary for the Christian Democrat party, brings to a head a simmering conflict between the judiciary and the legislature.

It came as Mr Mario Segni, leader of the country's referendum movement, threw the discredited party political framework into further disarray by announcing the creation of a new party to contest general elections expected later this year.

At the same time Mr Giuliano Amato, until last month the Socialist prime minister, suggested the creation of a new centre-left group which could embrace former Socialists and members of other centre parties.

The move also came amid new leaks and allegations in the corruption investigations.

Last month the chamber of deputies, the lower house of parliament, authorised the lifting of Mr Craxi's immunity on only two of the six requests made by Milan magistrates. The two requests concerned illegal funding of political parties and alleged corruption in Rome, the least serious of the six issues under examination.

A month earlier the senate, the upper house of parliament, voted similarly in relation to Mr Citaristi, whose immunity was lifted only on the least serious of magistrates' requests.

Milan magistrates will appeal against both decisions to the Constitutional Court, taking the corruption investigation into largely uncharted constitutional territory.

The magistrates, who believe Mr Craxi could be indicted within two months on the allegations on which investigations have been authorised, argue that parliament exceeded its rights in rejecting the other requests.

The corruption investigations, meanwhile, produced leaked testimony from Mr Antonio Mosconi, a senior Fiat group executive detained earlier this year, according to which Mr Cesare Romiti, Fiat's chief executive, was allegedly aware of payments to politicians through foreign bank accounts well before the date previously indicated.

The report, in the national news magazine Panorama, came just two days before a meeting of Fiat's board of directors, which is now expected to discuss a new company code of business ethics.

Segni's new party, Page 3

Bosnian ceasefire eases pressure for western action

By Laura Silber in Belgrade, Lionel Barber in Brussels and George Graham in Washington

A FRESH ceasefire between Serb and Moslem-led forces came into force yesterday throughout Bosnia, easing pressure for early western military intervention.

Calls for western action had become more persistent in the aftermath of the rejection by Bosnian Serb leaders of an international peace plan.

The ceasefire appeared largely to hold for the first few hours. Bosnian president Alija Izetbegovic alluded to sniping and some shelling in the capital, Sarajevo, and what he said was sporadic shooting elsewhere.

General Philippe Morillon, commander of United Nations forces in the former Yugoslav republic, said the ceasefire needed time to work.

Fierce fighting erupted between Moslem forces and their former Croat allies, who were not involved in the weekend ceasefire deal, in several towns in central Bosnia, blocking a key route for humanitarian aid. In the south-western city of Mostar, UN peace-keeping officials said Croat-Moslem fighting started large fires.

However, UN monitors who arrived in Zepa – an enclave in eastern Bosnia where 30,000 Moslems are believed to be trapped by Serbs and which the Security Council has declared a "safe area" – reported no fighting in the region.

The ceasefire was signed by Bosnian Serb army general Ratko Mladic and Moslem commander Sefer Halilovic at Sarajevo airport on Saturday. It declares the besieged strongholds of Zepa and Srebrenica "demilitarised zones" which will be policed by UN monitors. It also calls for the withdrawal of weapons and combatants from the enclaves.

Lord Owen, the European Community mediator, said yesterday that the latest truce may have averted the possibility of rash military intervention against Serb military targets in Bosnia.

"Had the truce not taken effect and the UN not been able to declare the towns of Zepa and Srebrenica as safe areas, Clinton might have had to act," he told Britain's Independent Television News.

Previous ceasefires have collapsed almost immediately.

EC foreign ministers are expected today to use the ceasefire to continue resistance to US pressure for military action against the Bosnian Serbs.

Despite signs of a more robust attitude among German, Belgian and Italian delegations, majority sentiment led by France and the UK is leaning towards a "wait and see" approach.

In particular, the EC ministers meeting in Brussels want to see if the ceasefire will hold in the light of Serbian president Slobodan Milosevic's decision to cut off all but humanitarian supplies to the Bosnian Serbs.

In Washington on Saturday President Bill Clinton met foreign policy and defence advisers to hear Mr Warren Christopher, secretary of state, report on his trip to Europe last week for discussions with allies on what action to take in Bosnia.

Air strikes or other military action appear to be, at the very least, several days off. Although US officials are dismissive of the usefulness of the referendum that Bosnian Serbs hava vowed to hold over the Vance-Owen peace plan, they acknowledge that it, along with Mr Milosevic's promise to stop all but humanitarian supplies to his fellow Serbs in Bosnia, has served to slow the movement towards military action.

US officials appear to be in agreement that Mr Clinton will not and should not move without first gauging the support from Congress, as well as from public opinion. Several senior congressmen said yesterday that there are not, at the moment, enough votes in Congress to support military action.

However, Mr Tom Foley, speaker of the House of Representatives, said that, with United Nations authorisation and European and Russian involvement, he believed Congress would support a request from the president for authority to use military force in Bosnia.

Tired Belgrade stands behind Milosevic, Page 2

Move will create new problems for administrators

Nadir seeks to salvage business empire

By John Murray-Brown in Kyrenia and Robert Rice in London

MR ASIL NADIR, the former chairman of Polly Peck International who jumped bail last Tuesday to return to his native northern Cyprus, says he plans to fly to Turkey to reclaim the remnants of his business empire.

Mr Nadir told reporters over the weekend he would go to the Turkish mainland "sooner than you think". This would create new difficulties for Polly Peck administrators attempting to recover assets. Mr Nadir appears to be planning court action to regain control of his various Turkish business interests.

Such a move could also place strains on Britain's diplomatic relationship with Turkey, as the UK government continues to apply pressure for Mr Nadir's return from northern Cyprus.

Administrators of Polly Peck at accountants Coopers & Lybrand confirmed that Mr Nadir's flight to northern Cyprus had delayed two disposals of group companies worth $30m after Turkish and Cypriot buyers pulled out because of uncertainty surrounding his intentions.

Mr Michael Jordan, a joint administrator, flew to Istanbul on

Continued on Page 14
Creditors await report, Page 7
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Asil Nadir, the founder of Polly Peck International, leaving his villa in northern Cyprus yesterday

British ruling party faces disarray after poll defeats

By Philip Stephens and Ralph Atkins in London

DISARRAY IN Britain's ruling Conservativa party last night threatened to spill over into the cabinet as close associates of Mr John Major, the prime minister, echoed calls from Tory MPs seeking the dismissal of Mr Norman Lamont, chancellor of the exchequer.

Humiliating defeats last week in local elections and the loss of a previously safe parliamentary aeat at Newbury, weatern England, hrought conflicting demands on the prime minister from cabinet ministers on how the government ahould restore its political authority.

Some suggested Mr Major must revamp his political agenda but others dismissed calls for a significant change of direction, although Mr Lamont's cabinet allies insisted that he must not be made a "scapegoat" for the resentment in the country over the recession.

But some of the most influential figures in the government were arguing strongly that Mr Major would not ba able to restore his political authority unless he reshuffled his cabinet and installed a new chancellor.

"We need a [cabinet] reconstruction, a fresh start", one commented last night.

As Mr Major prepared for a detailed review this morning on the causes of the election defeats, the associates suggested that ha could not afford to delay such a reshuffle beyond the summer.

Despite the reluctance of senior colleagues to blame Mr Lamont it was clear last night that those who believe he should stay on are in a minority in the cabinet.

Mr Kenneth Clarke, home secretary, acknowledged on BBC radio that the government was "in a dreadful hole". On the centre-left, pro-European wing of the Conservative party, Mr Clarke said the government needed to get across "our view of this country in Europe" and to set tackling crime as a high priority. He regretted the "parliamentary tangle" over Maastricht and Britain's exit from the European exchange rate mechanism.

In contrast, Mr Michael Portillo, chief secretary to the Treasury, stressed in a BBC television interview the priorities of the Tory right: "Sound money which means controlling inflation. . . sound public finances, which means the government not living beyond its means, and controlling the size of the state."

Mr Portillo said Mr Lamont had done an "outstandingly good job. . . every time he goes to the House of Commons he receives a tremendous vote of confidence."

The prime minister is expected to be told today that he needs to re-assert his authority as leader. However ministers are adamant that Mr Major should not be forced into a "panic" reaction. In spite of the unrest, a Tory party leadership challenge is regarded as highly unlikely this year.

An further test for Mr Major will come this afternoon (Mon) when MPs debate the extension of value added tax to domestic fuel – acknowledged yesterday hy Mr Portillo as a cause of Tory losses last Thursday.

Tory MPs were challenged by Ms Harriet Harman, the opposition Labour party'a treasury spokesman, to rebel against the government plans when tha House of Commons debates the Finance Bill, implementing the March budget.

"These increases were one of the main causes of anger on the doorsteps during tha last few weeks and undoubtedly played a big part in the Tories' massive defeat," Ms Harman said.

Meanwhile, Mr Micbaal Howard, environment secretary, rebuffed suggestions that the local election results would force Tories in pacts with opposition parties. "Where we neither have an overall majority nor support from other councillors for our policies, we will go into opposition and lose no opportunity to scrutinise and attack the inadequate pobcies of the Lib-Labs," he said.

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr18.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

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NEWS: INTERNATIONAL

US irritation grows over Europe's Bosnian stance

By George Graham in Washington

AFTER e week of intensive discussions betweeo Mr Warren Christopher, US secretary of state, and European governments, the Clinton administration appears to be little nearer a decisioo oo wbat to do in Bosnia-Hercegovina.

On Friday, after meeting leaders of the European Community in Washington, President Bill Clinton was at pains to argue that there remained no more than "some disagreemeot around the edges" between the US and Europe over the conflict.

But some administration officiels appear frustrated hy what they see as a willingness in European capitals to deley taking action against Bosnian Serbs. This is coupled witb irritation et Europe's perceived amhlvalence over US leadership: European governments want Mr Clinton to take the lead, hut they do oot like the directioo he wants to lead them in.

Senator Richard Lugar, the seoior Republican on the Senate foreign relations committee, said: "They may prefer that Serhia simply finishes the war, end the war out there, and that it oot be extended hy rearming the Bosnians. I think we have a different view and our view, I believe, must prevail."

Ambivelence, however, is just as widespread in Washingtoo as in Londoo or Paris. Congress is deeply split over the issue and e long way from embracing even limited US military involvemeot, such as air strikes, and opinioo is split within the admioistration. "It appears to me the president is as confused as we are," said Senator Howard Metzeobaum, a Democrat from Ohio.

Although Mr Clinton appears determined to act, he shows signs of annoyance that Bosnia is distracting him from his promise to "focus on the economy like a laser beam". He would evidently prefer some swift and limited actioo that would permit him to return his attention to domestic issues.

Mr Clinton said on Friday that if he were to ask for congressional approval for the use of air power in Bosnia, he would lay out "very clear tactical objectives" which would have "a beginning, a middle and an end".

Beyond tbe general promise that the US will not be sucked into an endless engagement, as it was in Vietnam, Washington takes this to mean a short US air campaign intended to freeze the conflict until Bosnian Moslems can be given heavy weapons to defend themselves.

The use of US ground troops remains, however, ruled out – although there is some lingering embarrassment in Washington that this refusal is hard to justify if Serbian actions do, in fact, represeot a genocide comparable to that of Nazi Germany.

While some members of Congress are now beginning to consider troop deployments, although they are still heavily outnumbered, popular opinion remains strongly opposed not only to the use of ground troops but also to air strikes.

Christopher: held intensive talks

Tired Belgrade stands behind Milosevic

By Laura Silber in Belgrade

UNDER threats of military intervention and worried about plunging standerds of living, people in Belgrade appear to have eccepted the apparent abandonmeot hy Serbian President Slobodan Milosevic of his Bosnian kin. Nearly 70 per cent of the population supports the Vance-Owen plan, more than double the figures of last month, an opinion poll shows.

Most inhabitants of the Serbian and federal capital also seem to welcome Mr Milosevic's move to cut off all supplies, except food and medicine, to Bosnia after the dismissal by Bosnian Serb leaders of Belgrade's appeals to back an international peace plan.

"The most important thing is peace. Milosevic should support any plan which creates the conditions for peace," says Nada, a 50-year-old schoolteacher, reciting almost verbatim the daily fare of state-controlled Belgrade Television.

"Belgrade Television now says thet everyone supports the plan. Last week we were all supposedly against it," says Sasa, a computer programmer, worried about whether he could afford another half kilo of potatoes at Kalenic vegetable market.

Most people appear confused by Mr Milosevic's suddeo policy shift but support his calls for peace. Worn down hy uncertainty and increasing economic deprivation, they want to believe the war is over.

However, many do not believe that the terms of peace will exclude eventual unification of the Serb territories.

This message, that what has been gained in the war can be cemented in peace, has been the main pillar of Mr Milosevic's new campaign. Last week he and other Belgrade power brokers tried to persuade Mr Radovan Karadzic, the Bosnian Serb leader, to back the plan, on the grounds that their forces have accomplished most of their goals.

They eppear confident the plan will fail to restore a multiethnic Bosnian state. "If Yugoslavia could not survive I think it will be impossible to rebuild a multi-ethnic Bosnis," says Sasa.

The UN imposed tough oew sanctions on Yugoslavia, now comprising Serbia and Montenegro, after the self-styled Bosnia Serh assembly rejected the peace plan to divide Bosnia into 10 provinces along ethnic lines.

"Tbey should have signed the peace plan. Karadzic does not have the right to force Serhis and Montenegro to make sacrifices," says Toma, a peassnt who fled Bosnian Croat troops in Mostar, western Bosnia.

A grizzled elderly woman, backing the rejection by the Bosnian Serb assembly, mutters how the three ethnic groups will never again be able to live together in Bosnia.

But Toma disagrees. "More sanctions will make it impossible for us to survive."

Old guard gathers to praise God and Stalin

John Lloyd on celebrations marking the Soviet defeat of Germany

A DEMONSTRATION by 30,000-40,000 nationalists and communists in central Moscow yesterday was anti-climactically peaceful compared with the May Day gathering of 5,000 in Gagarin Square, where one person was killed and some 500 injured.

Lieutenant Colooel Stanislav Terekhov, leader of the Union of Officers, bad agreed with the Moscow City council that the march on the anniversary of the defeat of Nazi Germany would be peaceful, and it was. It was even moving, as old soldiers, medals tinkling, stepped down the broad streets while patriotic hymns belted out.

Symbols which have been et conflict for decades were much in evidence. Orthodox crosses, Russian imperial flags and the hammer and sickle all vied for attention. On the front of the rocket transporter carrying some of the main representatives in the parade were two portraits of Stalin and, on the side, an Icoo of the Virgin.

In Triumfalnaya Square, Col Terekhov introduced a bevy of speakers, whose normal garrulity he strictly controlled. The nationalists and communists pose no great threat to President Boris Yeltsin, but yesterday they delivered a string of nationalist-Stalinist obsequies to the Soviet Union, to God and to the victory won under Stalin.

Mr Sergei Baburin, Mephistophelean leader of Russian Unity, said: "Yes, the French [Yeltsin] have again occupied the Kremlin but they will soon be on the road to Smolensk."

General Albert Makashov, the Stalinist who challenged Mr Yeltsin for the presidency two years ago, claimed Russia was a holy land. He ended his speech by seizing an old priest who was blessing everyone, kissing him three times on the cheeks – to his obvious surprise – and shouting "Hurrah".

In two incidents the anti-semitism displayed on many of the signs was brought to life. In one, two elderly men commented with epproval on placards calling for the "cleansing" of Jews from the media. A woman in her 70s, a row of medals on her chest, turned and said londly: "We don't need this. We were all together at the front – Russians Jews, Georgians, Ukrainians. It's true some Jews shout too much now hut they fought fascism." The old men said no more.

The second was nastier. In Red Square – to which the demonstration nltimately marched – a beggar was kneeling on the cobbles, his hand out. In front of him half a dozen western photographers were snapping the image of impoverished contemporary Russia, and giving him more money than he would normally clear in a month.

Some communists, seeing this, came over and began nudging the beggar with their feet and chasing away the photographers. One man, seeing me taking notes, came over and yelled: "Make sure yon write that all the Jews should end up in Babi Yar" – site of the mass grave in Kiev where e large number of the city's Jews were thrown afer being shot in 1942.

A former officer came np, expressed disepproval of his comrade and said: "That's not necessary. We were together in the war." And now? "Now things are pretty rough. But still, we have e lot of nationalities here who lived well together in the Soviet days."

Those bearing the pictures of Stalin and the Jew-baiting banners hohhing ahout in Red Square looked for a call to arms and, hearing none, dispersed into groups of passionate argument.

Before the Bolshoi Theatre across the way Mrs Anna Lichinski held a picture of a young man; the wording below it said that this was her father, Vladimir, missing from the front from November 1942. "If anyone has information, please eddress themselves to his daughter."

She had been coming here, she said, for 40 years.

US adopts softer Ukraine line

AFTER months of trying to strong-arm Ukraine into surrendering its nuclear missiles, the US appears to be taking a softer line, writes Chrystia Freeland in Kiev. The new approach will be unveiled today when Mr Strobe Talbott, Washington's leading policy maker on the former Soviet Union, holds a series of meetings with senior Ukrainian officials and MPs.

He will not, however, be meeting either Ukraine's president or its prime minister, a sign of the current coolness in relations with the US.

Mr Talbott said he would like to shift the US-Ukrainian relationship from its focus on nuclear weapons to a wider range of issues.

"It is important not to be e one-note Johnny. What we want to do is engage the Ukrainian government in a dialogue about the relationship in all of its aspects, rather than just dwelling on one subject, important as that subject may be."

Mr Talbott also emphasized that the US "wants to develop a relationship with Ukraine in its own right," separate from that with Russia.

US relations have deteriorated over the past few months as Washington pressed Kiev to fulfil its earlier pledge to become a non-nuclear state.

Brussels sounds out plans for E Europe

FAR-REACHING proposals to accelerate the political and economic integration of six former communist countries into the EC are to receive a first hearing among EC foreign ministers today, writes Lionel Barber in Brussels.

The meeting in Brussels is likely to show whether the European Commission's plans for improved, across-the-board access for east European products can win endorsement at next montb's EC summit in Copenhagen. Proposals for freer trade with Russia are also on the agenda.

The UK, Germany and Denmark are fully behind the Commissioo's bolder than expected approach toward the east Europeans, but Spain and Portugal are calling for prudence.

Today's meeting is also expected to include calls for recalcitrant EC member states to ratify the Europe Agreements offering trade liberalisation to Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria.

The agreements have been in effect for more than a year for Poland and Hungary, but have been ratified only by the UK, Ireland, Denmark, Luxembourg and Spain. Free-trading Germany has delayed; it is expected to ratify along with the Netherlands, Greece and Italy by August. France has legal problems, Portugal has translation difficulties, and Belgium has "internal procedural problems".

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NEWS: INTERNATIONAL

Segni announces a new political party

By Haig Simonian in Milan

MR Mario Segni, the leader of Italy's referendum movement, threw the country's party political framework into disarray at the weekend after announcing the creation of a new party to contest general elections expected later this year.

Mr Segni left the Christian Democrats earlier this year in protest at their inability to reform and distance themselves from members facing allegations of political corruption and links with organised crime.

Since then, Alleanza Democratica (Democratic Alliance), the loose political grouping formed around Mr Segni earlier this year, has coalesced amid signs it could present a serious threat to the Christian Democrats, and possibly other centre-right parties, at the polls.

Mr Sengi's move came a day after Mr Giuliano Amato, former Socialist prime minister, indicated he was also interested in promoting political change.


Segni: fights poll this year

Io an interview with La Stampa, the Turin newspaper, Mr Amato suggested the creation of a new centre-left group which could embrace former Socialists and members of other centre parties.

The signs that Mr Amato had reconsidered his decision to leave politics after 10 months as Italy's prime minister were welcomed by a number of politicians.

Mr Amato, believed to have turned down the Foreign Ministry in the new government of Prime Minister Carlo Azeglio Ciampi, was widely praised for steering the the country through one of the most difficult post-war periods.

Mr Segni's and Mr Amato's statements triggered immediate reactions from the Christian Democrat and the Socialist leaderships. Mr Mino Martinazzoli, Christian Democrat leader, poured scorn on the Democratic Alliance, while expressing hopes that Mr Segni might return to the fold.

The new alliance was no more than "a cylinder into which everyone wants to put something", said Mr Martinazzoli. "I don't agree with Segni when he says that innovation means getting rid of the Christian Democrats."

Separately, Mr Giorgio Benvenuto, Socialist leader, made clear his readiness to offer Mr Amato a senior party position. The Socialists have been rocked by the departure of a number of senior figures recently in protest at the support of many MPs for Mr Bettino Craxi, their former leader.

Meanwhile, the Lega Nord, the regional autonomist grouping headed by Mr Umberto Bossl, confirmed it would change its name in an attempt to broaden its electoral base and shake off its lingering racist image.

The party will call itself the "Italian Federal League" in central and southern Italy while retaining its "Lega Nord" title in the north.


Amato: widely praised

The simmering divisions within the Christian Democrats and Socialists have been exacerbated in the run-up to important local polls on June 6, whicb will be the biggest test of political support since last year's general elections.

Attention has focused in particular on Milan and a few other big cities, where a new law on the direct election of mayors will be put to the test.

The mayoral race in Milan, a former Socialist stronghold, has attracted 12 candidates. However, in a measure of the demise of a party whose word once held sway in the city, Mr Pietro Borghini, Milan's former mayor, made clear at the weekend his preference not to have formal support from the Socialists for his candidature.

Mr Borghini, mayor until the city council collapsed earlier this year, was a Communist party member before being appointed mayor as an independent with Socialist backing. Milan has been run by a senior civil servant from the Interior Ministry, pending new elections, after local politicians failed to agree on a new city council.

Pope denounces Mafia actions

THOUSANDS of Sicilians cheered yesterday when Pope John Paul paid homage to judges and prosecutors who tried to clamp down on the Mafia, AP reports from Agrigento, Sicily.

"During this latest visit in Sicily, I can't help but recall, with particular emotion, those who, in affirming the ideals of justice and law, paid for their commitment to the struggle against the violent forces of evil with the sacrifice of their lives," John Paul told a crowd outside Agrigento's cathedral.

Barely a decade ago, hardly any one in Sicily, let alone a pope, dared denounce the Cosa Nostra openly. But in the 10 years since John Paul II became the first modern pontiff to come to the island, seeds of protest have taken root.

The pope later met the parents of Judge Rosario Livatino, gunned down on a highway outside Agrigento in 1990. The Mafia allegedly ordered tbe judge's slaying after he refused to let the Mafia sway him in issuing a sentence.

The killings of prosecutors Giovanni Falcone and Paolo Borsellino – Italy's leading Mafia investigators – fueled anger against the Cosa Nostra across the island. They were the latest in a long series of prosecutors, judges, police, journalists and politicians murdered by the mob. "They are martyrs of justice, indirectly of the faith," said the pope.

Mafia bosses in Agrigento are considered second in power only to the Palermo families and the Corleone mobeters under recently captured "boss of bosses" Salvatore "Toto" Rüna.

EC telecoms ministers to press UK on HDTV

By Andrew Hill in Brussels

EC telecommunications ministers will today get their best and possibly their last chance to persuade Britain to agree a strategy for the development of wide-screen, high-quality television in Europe.

Denmark, which holds the EC presidency, has indicated it will do its utmost to get unanimous agreement on plans to promote European high-definition television (HDTV) at today's meeting in Brussels.

But the UK, which has blocked all previous compromises over the last 18 months, is still reluctant to commit itself to new Danish proposals, even though they go further than ever towards meeting British demands.

In particular, British officials say that Mr Edward Leigh, the hardline UK telecoms minister, will not discuss funding for a new strategy until the substance has been agreed.

"If the Danes begin with a discussion on money, it will be a very short meeting," warned one official on Friday.

If the UK continues to veto a deal then other member states may finally have to abandon their ambitions for development of European HDTV, based on a central action plan and EC funding for broadcasters and programme-makers.

That would cause a political storm because of the amount of time and public money which has already been ploughed into advanced television equipment and programmes in anticipation of continuing EC support.

The UK is still reluctant to commit itself to new proposals from Denmark

Mr Michel Carpentier, head of the European Commission's telecommunications directorate for the past 10 years and a firm advocate of HDTV, warned last week that today's meeting was "all or nothing."

But in practice, the political stakes are so high that if there is any progress today, Denmark may allow negotiations to continue at an extra meeting of telecoms ministers on June 16.

The Danish compromise tries to answer British objections by suggesting that companies seeking Community backing would have to meet at least half the cost of promoting advanced television themselves.

Funding for a five-year plan, originally set at Ecu850m (£671m) by the Commission, would be substantially reduced, although advocates of HDTV are unlikely to settle for less than Ecu200m over five years.

The Danes are focusing on the development of a wide-screen format, not tied to particular standards, and invite the Commission to come up with new proposals to accelerate the development of digital HDTV standards, which Britain argues will soon supersede the original EC norms.

Lifting the lid, Leader page

TV single market still far off

THE EUROPEAN MARKET

For the European consumer electronice industry, the single market is taking time to arrive, write Alan Cane and Michiyo Nakamoto.

Mr Gerard Nauwelaerts, secretary general of the European Association of Consumer Electronics Manufacturers, sums up the gap between aspiration and reality. The single market, he says, "has not happened because the consensus and co-operation process is still much too slow, and the consultation system is very costly".

Does Europe need a Community-wide communications agency to set and promote electronics standards along the lines of the US Federal Communications Commission? In an ideal world, the answer would be yes.

Europe, however, already has a number of standards-setting bodies in the forms of the European Telecommunications Standards Institute (Etsi), the Comité Européen de Normalisation (Cen) and the Comité Européen de Normalisation Electrotechnique (Ceoelec).

It could prove difficult to merge them into one organisation. And as Mr Hugh Peltor, director of Brema, the UK consumer electronics trade association, says: "We should try to make our existing organisations work."

Mr Peltor says Europe's telecommunications ministers, who meet today in Brussels, should be able to carry out the job of a European-style FCC. The saga of high definition television (HDTV) in Europe, however, illustrates the difficulties of putting this idea into practice.

Television is the most important element in European consumer electronics. But unless Europe can settle a strategy for HDTV – television which will give cinema-like clarity and quality – it could fail to reap the full benefits of a harmonised market.

The structure of the present EC market for conventional TVs and VCRs (video cassette recorders) highlights the problem. It is a largely disparate collection of national markets, employing differing transmission standards and specification requirements, with widely varying patterns of distribution and purchasing.

European consumers have not benefited from the cross-border price competition the single market was designed to bring about. As a result, they are at a disadvantage compared with people in the US. Prices diverge widely from country to country and in some markets touch on the exorbitant.

European consumers are at a disadvantage compared with those in the US

"You may never be able to talk of Europe as a single market as far as TVs go," says Ms Iris Merker, consumer electronics representative for Philips, the Dutch manufacturer which has the largest share of the European market.

The diversity of standards is a headache for local manufacturers. There are two main television standards in Europe, PAL and SECAM. But a plethora of variations makes it necessary for manufacturers to produce several different versions of each model.

Philips says it currently makes over 400 versions of several different models of televisions to meet the different standards and requirements for each EC country.

For example, it produces 90 different types of a particular high-end model with stereo sound to meet different requirements in EC markets.

In addition, safety and environmental regulations and bureaucratic paperwork differ from country to country.

The result is that manufacturers of TVs and VCRs must operate several different production lines and employ specialist staff able to handle legal and social matters for different countries.

The manufacturers hoped Europe's HDTV programme would offer a way through the EC standards morass. The Community's failure to agree Ecu500m (£395m) of HDTV funding dented this optimism, however, and ministers now have to recognise that the plan to harmonise standards is still a very long way from bearing fruit.

Demirel fails in first ballot

TURKEY'S parliament failed at the weekend to elect a new president in the first ballot when Mr Suleyman Demirel, the front-runner, did not win the two-thirds majority required, our foreign staff and Reuter report.

Prime Minister Demirel, tipped as the most likely candidate to replace Mr Turgut Ozal, who died of heart failure last month, received 234 votes from the 450-member single-chamber Grand National Assembly.

A second ballot will be held on Wednesday, at which the winner also needs a two-third majority, and if necessary a third on May 16, when only a simple majority is required. Seven times prime minister and twice ousted by the military, the 69-year-old Mr Demirel has been a feature of the Turkish political map for almost three decades.

There is some disappointment that he is keen to take up a largely ceremonial post, leaving the government without strong leadership.

Eurofighter fails to find its wings

David White on a swathe of cash disputes and technical delays

TO THE embarrassment of all concerned, the Eurofighter is not yet airborne. The prototype of the European Fighter Aircraft, rebaptised Eurofighter 2000 last year, should have flown in 1991, but crucial equipment and software is still awaited.

Managers of the joint veoture between Britain, Germany, Italy and Spain – which is now expected to cost £32bn – say the aircraft should fly at Manching in Germany in September. But technical deleys are not the only problem.

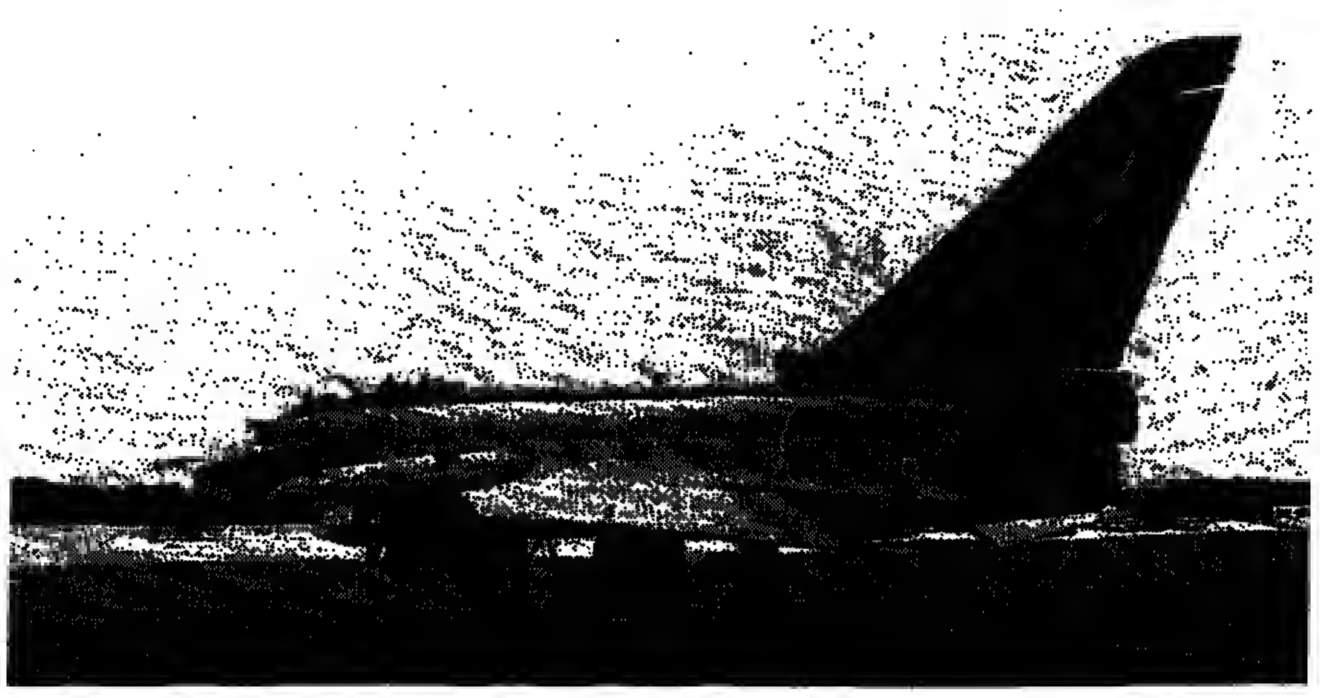
German funding for developmeot work has almost dried up. Five months after a ministerial agreement in December to redefine the project and keep the four-nation partnership, oew contract terms are not settled.

It is also unclear how the partners will share production work. Eurofighter, the consortium betweeo British Aerospace, Daimler-Benz's Deutsche Aerospace (Desa) subsidiary, Alenia of Italy and Casa of Spain, is unable even to say who will make the starboard wing.

The four governments have agreed, for hudgetary reasons, to delay the target date for the first Eurofighters eotering service by two years, to 2000. Germany and Spain do not want their aircraft before 2002. But officials say the consortium could not have met the original schedule anyway.

At the end of last year the aircraft's electrical generator, supplied by a joint venture between Ferranti International of the UK and the Bendix division of Allied Signal of the US, failed its reliability tests. Fitting an existing generator, heavier and underpowered for the fighter's needs, delayed the first flight by five months.

This was less serious than software problems with the "fly-by-wire" flight control system. The aircraft relies on a computerised system to work its flaps, rudder and the front winglets known as "canards". Dasa has overall responsibility for the system but the software comes from GEC-Marconi of the UK. A joint task force including more than 20 British engineers is in Munich carrying out tests on the system.



Grounded: the Eurofighter prototype, with German airforce markings, is still unable to fly

The revised Eurofighter project was designed to allow nations to equip aircraft according to their oeeds and budgets – the result of Bonn's objection to the project's high price. But the "menu" approach obscured the question of overall costs. British government and industry officials argued that since Germany followed unique accounting principles, which included in-service costs, its figures could not be translated into sterling estimates.

It is now clear that the price asked by the consortium in April 1992, prompting the German crisis, was higher than expected. Reductions forecast in the revised programme were against that price; they were expected to range between 12 and 23 per cent.

Britain's saving was put at 14 per cent, through improved manufacturing arrangements and economies in logistical support. But the extra cost in sterling of German components, following the UK's withdrawal from the exchange rate mechanism of the EMS, has reduced the expected saving to 11 per cent.

Mr Volker Rühe, German defence minister, tried last year to kill the project and have it replaced by a new, smaller aircraft. He failed, but had already cut the funds allocated for Germany's share of the development programme this year. The issue has still to be resolved.

Mr Hartmut Mehdorn, new president of Dasa'a aircraft division, says the company itself might provide the necessary finance. "If there are some short-term holes, we are ready to help out," he said. But the company, which has had to bail out some of its sub-contractors, would claim for the financial charges, edding to programme costs and possibly heralding further budget arguments.

The "silly situation", as Mr Mehdorn calls it, over German funding has clouded work on the revised project. In contrast to the high-profile agreement in December, junior ministers from the four countries agreed on a new programme at a meeting in Bonn on April 5. Under this, contracts for setting up production will not be let until 1995, after the next general election in Germany.

Britain consented to e slowing down of the programme only if it did not raise overall costs. The engine consortium Eurojet – comprisiog Rolls-Royce, Dasa's MTU offshoot, Fiat and ITP of Spain – is expected, however, to receive an increase of up to 5 per cent on its fixed-price development contract to cover a longer period of flight tests.

Eurofighter, responsible for the aircraft itself, is also seeking an increase.

Government officials say that since Eurofighter is behind with its programme, "the cost consequences are theirs".

Officials are anxious, however, to prevent a row emerging over responsibilities. They expect new four-nation memoranda of understanding and development contracts to be concluded in the third quarter, coinciding with the first flight.

Germany's share of productioo work has yet to he resolved. Its 33 per cent share in development was based on an expected purchase of 250 aircraft, while the current forecast is 140. Mr Mehdorn says he expects Germany will end up buying more aircraft and is seeking to maintain the same level of participation.

The partners want to eliminata the more glaring inefficiencies resulting from collaboration. For example, the radome which covers the radar on the aircraft's nose takes 300 days to produce and spends more than 100 of them moving from one country to another.

There is also an overlap between Britain and Spain on the starboard wing. The other wing is Italian.

Administrative structures mnst also be rationalised. Eurofighter, Panavia (an Anglo-German-Italian company overseeing the Tornado project) and two intergovernmental management agencies work side by side in a Munich building. But rivalry makes a merger unlikely for another two years.

Attack on German hostel for refugees

A HOSTEL for foreign refugees was firebombed and a graveyard for victims of Nazi persecutioo was wrecked in the latest attacks hlamed on right-wing extremiats io Germany, police said yesterdey, Reuter reports from Berlin.

No one was injured when e petrol bomb thrown at e refugee home in eastern Germany on Seturday night failed to ignite.

Police could not immediately say how many people or what nationalities lived in the hostel in Teterow district in the northern state of Mecklenburg-Vorpommern.

Io the state capital Schwerin, police said vandals toppled 81 tombstones at a cemetery commemorating those who died resisting Nazi rule.

It was not known who wrecked the graveyard on Friday night. Refugees from impoverished eastern Europe and the developing world, drawn by Germany's liberal law on political asylum, have been the chief targets of brutal attacks by neo-Nazis in the past 18 months.

SPD begins search for a new leader

By Ariane Genillard in Bonn

LEADERS of Germany's hettered oppoaition Social Democrats yesterday met behind closed doors to discuss finding e successor to Mr Björn Engholm, the former party chief whose abrupt resignation last week threw the party into disarray.

The 13 members of the SPD presidium have swiftly to find a new party leader and challenger to Chancellor Helmut Kohl to ensure the party's credihility ahead of atate and national elections next year.

The SPD is considering moving the annual party conference, due in eutumn, to June to cut tha time the party leadership is left vacant. It is also debating whether the next party chief will automatically become the rival candidate to Mr Kohl.

SPD politicians have also been calling for the party's 900,000 members to have a say in the election of the next party leader. Such e move would help ensure a naw leader had grassroots support.

Members of the presidium were meeting state party leaders last night. Discussions are due to continue today within the executive board of the SPD.

Leading candidates for the post include Mr Gerhard Schröder, prime minister of Lower Saxony, and Mr Rudolf Scharping, prime minister of the Rhineland Palatinate. Ms Renate Schmidt, vice-president of the Bundestag, the lower house of the German parliament and head of the SPD in Bavaria, also announced she would run for the chancellor's office.

Opinion polls show popular support for the SPD is neck and neck with the ruling Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU).

While Mr Engholm's resignation has damaged the Social Democrats' standing in public opinion, a series of scandals within the CDU/CSU has dealt equelly severe hlows to the popularity of the ruling party.

Danish doubt over treaty

LESS THAN two weeks ahead of a second referendum on closer European union, Danish snpport for the Maastricht treaty has dropped to less than 50 per cent, according to e survey published yesterday, AP reports from Copenhagen.

The Gallup Institute said 46 per cent of voters polled backed the treaty, down from 51 per cent a week ago. The number of opponents swelled to 34 per cent from 30 per cent during the same period.

The trend is in spite of the treaty exemptions granted to Denmark. These include staying out of a common currency and joint defence.

CONTRACTS & TENDERS

Japan's government urged to pull out from Cambodia

By Charles Leadbeater in Tokyo

THE JAPANESE government was last night attempting to head off pressure to withdraw police officers from peacekeeping duties in Cambodia after the killing of an officer in an ambush last week.

Mr Keijiro Murata, home affairs minister, will today call for the unarmed Japanese police officers to be given greater protection or be withdrawn to Phnom Penh.

Mr Murata arrived in Phomn Phen yesterday for talks with the United Nations Transitional Authority for Cambodia over the safety of Japanese personnel.

Untac has so far refused to accede to Japanese government demands to withdraw the police to safer areas, on the grounds that this would be preferential treatment.

If Mr Murata is unable to return with e pledge that the police will be given greater protection, it is likely pressure for their recall will grow.

The issue is highly sensitive for the Japanese government because the despatch of peacekeepers to Cambodia was presented as a symbol of Japan's commitment to play a wider role in UN affairs.

Jepan sent 600 military personnel and 75 police officers in October to help oversee the run-up to elections due to he held from May 23 to 28.

In a frank meeting with Japanese police officers yesterday Mr Murata was asked by Mr Hiroto Yamazaki, the head of the police contingent in Cambodia: "How many of us will have to die before you decide to pull the Japanese police out of Cambodia?"

Mr Kabun Muto, the foreign minister, who was visiting the family of Mr Haruyuki Takata, the slain policeman, said he was reluctant to consider a full-scale withdrawal of the police.

Howver, Mr Yohei Kono, the cabinet secretary, acknowledged that the government was under pressure to clarify its position over the conditions in which it would withdraw the personnel.

Tokyo police hold foreign workers

By Charles Leadbeater

TOKYO police and immigration officials yesterday mounted an unprecedented raid on foreign workers as they gathered in a park in the Japanese capital. They were allegedly breaking immigration laws.

The authorities took 102 foreigners into custody in the highest profile action yet to stop mainly Iranian workers from gathering in Yoyogi Park on the outskirts of central Tokyo.

Every Sunday over the past two years the park has been a meeting place for several thousand mainly Iranian men. The entrance to the park where the men gather takes on the air of e middle eastern bazaar with stalls selling Iranian food, music cassettes and haircuts, as well as forged telephone cards. The authorities also allege there is extensive drug dealing.

Immigration officials and police officers used several vans to take away 68 Iranians, 11 Malaysians as well as Nepalese and Pakistani workers.

On April 28 the authorities signalled their intention to crack down on the gatherings when the Tokyo metropolitan government started planting about 3,000 azalea bushes in areas of the park where the men gather. They then cordoned off the area with high fences, ostensibly to protect the plants.

Immigration officials said all the men taken away had overstayed their visas in Japan and were working illegally in factories and on construction sites. They said the men would be repatriated soon.

The illegal foreign workers are in part victims of the sharp economic downturn. They were mainly attracted to Japan during the high growth of the late 1980s when it became commonplace for young Japanese to refuse to do dirty, dangerous or difficult manual jobs.

China likely to cool economy

Tony Walker on the fears of a repeat of the boom and bust cycle

THE SENIOR Chinese official chose his words carefully, avoiding expressions such as credit curbs and import restrictions, but his meaning was clear: China is, belatedly perhaps, seeking to cool its overheated economy.

"Although the credit situation in China is tolerable we shall try to exercise greater control so as to avoid a repetition of the sort of the situation that occurred in the late 1980s," Mr Wang Zhongyu, director of the newly established State Economic and Trade Commission, told reporters.

This was the most explicit public signal in recent months that the authorities are intent on calming the economy, although fear of a return to the "boom and bust" cycle of the 1980s is encouraging caution.

Mr Wang complained of excessive duplication in some manufacturing industries. China's economic boom was also placing an intolerable strain on the country's infrastructure.

He also made it clear much stricter controls would be placed on fixed asset investment to curb its astonishing growth of 70 per cent in the first quarter of this year compared with the corresponding period last year.

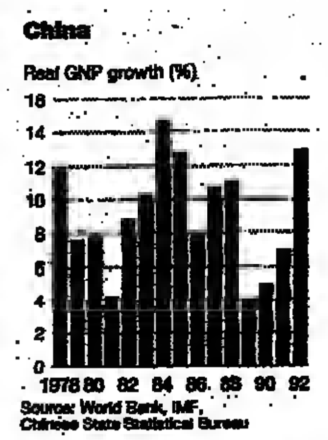
"No country can give carte blanche to investment. Every country needs a quota for its fixed asset investment... so we shall try to exercise more effective control," he said.

Western economists, who have long been arguing that China's spectacular growth rates – 14 per cent for the first quarter on top of 13 per cent last year – are unsustainable, believe that the main issue for the country's economic managers is whether, in their efforts to "fine tune" the economy, they can avoid a "hard landing".

China's increasingly complex economy, in transition from rigid state control to a market-oriented system, will not prove easy to calm without resort to the tough administrative measures employed in the past. Yet these are the very devices the authorities wish to avoid in this latest phase.

In the 1988 boom economic growth reached 12 per cent and urban inflation exceeded 30 per cent, prompting a panicky administration to institute savage credit curbs.

Mr Wang made it plain that e more rigorous approach would be applied to granting credit, and priorities would be re-ordered. Preference would be given to what he described as "basic industries" such as transport and energy in an effort to redress one of China's most critical problems.



Source: World Bank, IMF, Chinese State Statistical Bureau

Mr Wang, regarded as a reformist and thus close to Mr Zhu Rongji, senior vice-premier and China's "economic czar", said the economy was "quite healthy" but expressed concern about urban inflation, which reached 15.7 per cent in the first quarter. He attributed the rise in retail prices both to the lifting of controls on prices of some commodities such as grain, and also to excessive demand due in part to the explosion in fixed asset investment. Steel prices, for example, have gone through the roof.

State-owned enterprises are among the main culprits of the fixed asset binge, and the most wasteful. The state sector recorded losses equivalent to $76bn (£48bn) in 1992.

The Chinese official gave no indication that more strenuous efforts might be made to restrain growth in the money supply which, according to the broader M2 measure, charged ahead by 30.8 per cent last year and continued in similar vein in the first quarter; but he did hint at possible interest rate increases to cool activity.

Mr Wang gave no indication what steps, if any, might be envisaged to stabilise China's exchange rate. The local currency is continuing to depreciate.

The import surge, accompanied by a deterioration in China's trade balance, spells further trouble for the yuan, which is now in sight of 10 to the US dollar on the "grey market" compared with an official rate of 5.7 and a "swap market" rate of about 8.5.

China's official growth targets for this year, spelt out at the recent National People's Congress, or parliament, are between 8 and 9 per cent. However, with growth exceeding 14 per cent, a figure of 10 per cent seems more likely, unless the authorities lose their nerve and decide a harder landing is necessary.

Indian scandal blamed on lax bank management

By Stefan Wagstyl in New Delhi

THE RESERVE Bank of India, the country's central bank, in a final report on last year's Rs40.2bn (£806m) securities market scandal blames lax bank management for the affair.

Inadequate internal audits and inspections allowed irregular links to develop between banks and stockbrokers in the securities market, says the report, which was published in two parts at the weekend. Those responsible for controlling business operations chose not to probe too deeply, says the central bank.

The report says that while the Reserve Bank checked banks for asset quality and bad debt provisions, it perhaps paid too little attention to the activities of bank treasuries, the units primarily responsible for securities market investments.

The scandal, which erupted in April last year, prompted the resignation of a cahinet minister, the arrest of about 20 people, and hig losses for some banks, inclnding Standard Chartered of the UK.

The latest Reserve Bank report mostly concerns facts already made public in four previous reports and in evidence given to a parliamentary committee which has separately been probing the affair. However, the report adds several new names to the list of banks accused of carrying out irregular transactions, including Hongkong and Shanghai Banking Corporation. The report alleges that Hongkong Bank in its portfolio management services – investment accounts which were used to invest funds in securities on behalf of clients – infringed the rules under which such accounts were to be operated.

The report makes recommendations on future regulation, saying tighter supervision is needed in the interbank securities market, especially of forward transactions and of the use of bankers' receipts, which are instruments issued hy banks representing securities which they hold. It also recommends stricter supervision of brokers permitted to enter the interbank market and higher standards of book-keeping, endit and inspection.

Close contest in Paraguay election

By Stephen Fidler in Asunción

PARAGUAYANS voted yesterday for the first civilian president in nearly 40 years, with early indications of voting patterns suggesting a close contest between the three leading candidates.

The pre-election favourite was Mr Guillermo Caballero Vargas, head of Encuentro Nacional, a recently-formed pro-business coalition grouping. He was seen as benefiting from a split in the Colorado party, which, with the support of the army, has ruled Paraguay for almost 50 years.

However, support for Colorado's Mr Juan Carlos Wasmosy appeared to be rising. His opponent in a disputed Colorado primary last December, Mr Luis María Argaña, has called for his supporters not to vote for Mr Wasmosy, a move likely to benefit Mr Caballero Vargas.

The third leading contender was Mr Domingo Laíno of the centre-left Authentic Liberal Radical party.

Some 200 international observers, led by former US President Jimmy Carter, are in Paraguay for the elections. Observers yesterday spoke of some irregularities in the procedures leading up to the elections but nothing suggesting the result would be affected.

The army, however, barred entry at the border to Paraguayians trying to enter the country from Argentina to vote. Minor violence was also reported, including a grenade attack on a TV station in Asunción.

There was nervousness about whether the army would accept the result of a vote ending the rule of the Colorados. While the army hierarchy appears split on the issue, a powerful commander, General Lino Oviedo, said the army would co-govern Paraguay for all time with the Colorados.

Aryeh Deri just before signing his resignation letter yesterday

Israel's interior minister resigns

By Judy Maltz in Jerusalem

MR ARYEH DERI, Israel's interior minister and head of the ultra-religious Shas party – one of three partners in the Labour-led coalition of Prime Minister Yitzhak Rabin – yesterday submitted his resignation to the cabinet.

While the move threatens the fragile coalition, it is unlikely to bring about the collapse of the government.

The coalition crisis was triggered when Mrs Shulamit Aloni, the secular education minister and head of the left-wing Meretz party, refused to accept an ultimatum issued by Shas that she leave her post.

The ultimatum was announced several days ago after remarks by Mrs Aloni which Shas claimed were offensive to the religious.

Mr Deri's decision to leave the government has caused considerable anxiety among Mr Rabin and his party colleagues, who are eager to have as broad a coalition as possible behind them if Israel is asked to make tough decisions on the peace process.

Mr Deri is the only member of Shas who sits in the cabinet. With Shas out of the government, Mr Rabin's coalition will rest on a majority of 56 members of parliament. An additional five MPs representing Arab parties are, however, likely to support him outside the government on peace issues, thereby ensuring that the government does not fall in any no-confidence vote.

But Mr Rabin has in the past ruled out the possibility of undertaking important moves on the sensitive issue of territorial compromise while relying on the Arab parties for his majority vote in parliament.

It is therefore expected that in the next two days, until Mr Deri's resignation takes effect, there will be intensive negotiations among the coalition partners to ensure the government continues in its present composition.

A likely solution to the crisis is a portfolio exchange, under which Mrs Aloni would be removed from the Education Ministry and appointed to another ministry, thereby enabling Shas to remain in the coalition.

Mr Rabin has said that if Meretz is seriously interested in promoting the peace process, it will give up the education portfolio. Meretz insists, however, it would be wrong to set a precedent of bowing to ultimatums issued by the ultra-religious parties.

US seeks more evidence on Bush death plot claims

By George Graham in Washington and agencies

US INVESTIGATORS are seeking more evidence on whether Iraq was behind a plot to assassinate former President George Bush on a visit to Kuwait last month.

Mr George Stephanopoulos, the White House spokesman, said the US took the allegations of Iraqi involvement very seriously. "If we determine Iraq was involved in state-sponsored terrorism, the US will take appropriate action against Iraq," he said.

Eleven Iraqis and five Kuwaiti residents of Iraqi origin have been charged in Kuwait with conspiracy to kill Mr Bush and with other acts of terrorism.

Iraq ridiculed the US and Kuwaiti charges. "The sheikhs of Kuwait in co-ordination with American intelligence are plotting another deception to fool American public opinion in order to justify a new aggression on Iraq and tighten the economic siege imposed on it," Mr Hamed Youssef al-Hummadi, Iraq's information minister, said.

● Reuter reports from Kuwait: Kuwait's parliament has formed a sub-committee to investigate allegations that Defence Ministry officials made money from defence deals which have been concluded since the 1991 Gulf war, a member of the assembly said yesterday.

Mr Mubarak al-Dawilah said he had submitted documents supporting the charges to the sub-committee.

The incidents of corruption, alleged to have taken place since the emirate's 1991 liberation, include charges that a French company paid kickbacks worth millions of dollars to a defence official to obtain a defence contract, Mr Dawilah said.

Sheikh Ali Sabah al-Salem al-Sabah, the defence minister, has denied charges by Mr Dawilah of corruption and mismanagement.

● Iran said yesterday that one of its military courts had sentenced Mr Hans Bohler, a Swiss national, to three years in prison for unauthorised contacts with members of the armed forces. Mr Bohler was arrested in March 1992.

Algeria sets out democracy plans

ALGERIA is to change the laws which took a radical Islamic party to the brink of power, and will hold a constitutional referendum this year, as two key elements of a plan to return to democracy, according to Mr Ali Kafi, the head of state, Reuter reports from Algiers.

Mr Kafi also pledged that a "transition period" for a return to democracy would be kept as short as possible and that Algeria would move in "an organised way towards a market economy".

More talks would be held with political parties and groups before the referendum.

He said: "The whole of the laws organising the pluralist political system we envisage putting in place will be corrected in the light of experience." Under the present law, just 15 Algerian adults can form a political party.

Parties, theoretically, already cannot be based on religion, language or region, but the fundamentalist Islamic Salvation Front (FIS) was allowed to register and made no effort to hide its aims – to make Algeria a fundamentalist state.

The FIS was banned last year. But opponents of Islamists say two more moderate existing parties are also based on religion, while others are seen as essentially regional.

The mandate of the collective presidency, which took over from President Chadli Benjedid, is due to expire at the end of this year

NEWS IN BRIEF

'Bosnia' warning to S Africans

SOUTH African President F W de Klerk and the African National Congress both warned at the weekend that the mobilisation of right-wing whites could turn South Africa into a new Bosnia, Patti Waldmeir reports from Johannesburg.

In a tough statement aimed at demonstrating to his nervous supporters that the government is able to control left- and right-wing violence, Mr de Klerk warned that "extremists on the left or the right should not underestimate the government's power and its resources".

The ANC said: "The people of South Africa will not... be blackmailed into accepting schemes that seek to turn South Africa into another Bosnia."

Both were reacting to moves last week to set up a united front of right-wing parties to press for Afrikaner self-determination in constitutional negotiations. Those talks have now reached a crucial point, with negotiators promising to set a date for the first all-race elections – and agree principles of a new constitution – within four weeks.

Ireland cuts interest rates

The Central Bank of Ireland is cutting two key interest rates, from today, AP reports from Dublin.

The central bank said over the weekend that it was reducing to 8.50 per cent from 8.75 per cent the short-term rate it charges on loans to commercial banks. It will also cut its overnight deposit rate to 5.25 per cent from 5.50 per cent. That rate is applied to surplus money-market funds that the central bank lends out overnight to commercial banks.

Rise in oil demand slows

World oil demand will rise only slightly this year to a little over 66m barrels a day (b/d), Opec Secretary-General Subroto said at the weekend, according to Reuter in Vienna.

Mr Subroto said production by non-members of the Organisation of Petroleum Exporting Countries would fall by about 1m b/d so that the cartel would have to make good this shortfall. Demand would pick up particularly in the second half of the year.

Senegal voters go to polls

Senegalese lined up to vote yesterday in elections expected to win a few more seats for the opposition but leave newly-re-elected President Abdou Diouf with a majority in the national assembly, AP reports from Dakar.

The president's Socialist party currently has 103 assembly seats, to 17 for the Democratic party of Abdoulaye Wade, chief opposition leader. Six parties or coalitions presented 1,222 candidates to this West African nation's 2.5m voters. A national commission must declare results by Friday.

Djibouti president re-elected

President Hassan Gouled Aptidon of Djibouti has been re-elected to a fourth six-year term, officials said yesterday, Reuter reported from Djibouti.

Less than half the electorate voted in polls over the weekend which were boycotted by supporters of the opposition Front for the Restoration of Unity and Democracy. FRUD guerrillas control large areas in the north of the tiny Red Sea republic.

Officials said Hassan, in power since independence in 1977, won 60.71 per cent of the vote, making a second round unnecessary.

Taiwan vetoes China bank plan

Taiwan's Finance Minister Lin Chen-kuo has vetoed a proposal by a group of 15 private Taiwanese banks to set up a joint venture bank in China, Reuter reports from Taipei.

A delegation of Taiwanese bankers, now visiting Beijing, proposed to Chinese authorities that they establish Taiwan's first financial institution to operate in China since the end of the civil war in 1949, local newspapers said. The venture, capitalised at $1bn (£649.3m), would have had its headquarters in Beijing or Shanghai and establish branches in other Chinese cities such as Shenzhen.

NZ 'will debate' republic issue

Talk of Australia dumping Queen Elizabeth as head of state and becoming a republic will trigger a similar debate in New Zealand, Prime Minister Jim Bolger said yesterday, Reuter writes from Wellington.

"It is an issue which could have lain dormant for years but now because of Australia's moves, will become a matter of discussion and debate," Mr Bolger told a conference of his conservative National party in Wellington.

Gadaffi woos tourists and foreign investors

By Mark Nicholson in Cairo

LIBYA'S leader, Colonel Muammar Gadaffi, has suggested that Libya should encourage mass tourism to the country, where it is now banned, make the Libyan dinar convertible and attract new foreign investment.

The suggestions, made in a televised weekend speech, are unlikely to be translated immediately into practical steps. But they represent further advocacy by Col Gadaffi of moves to liberalise Libya's state-dominated economy.

The remarks also appear to indicate the Libyan leader's concern over the political isolation and harmful economic effects caused by United Nations sanctions against Libya. These were imposed in April 1992 after Tripoli refused to hand over for trial in the west two suspects in the 1988 bombing of a Pan Am flight over Lockerbie, Scotland.

The UN last month renewed the sanctions, which include a flights embargo, while the US threatened to tighten them, perhaps to include a ban on oil sales.

During the speech Col Gadaffi said Libya should consider creating a law providing guarantees for foreign capital investment.

Foreign companies should be invited to invest in tourism. "Tourism produces a very big income," he said. "Libya had a ban on tourism. However, Libya is very, very rich in tourist attractions."

He also said the country should "put on the agenda" making the Libyan dinar fully convertible, but warned that "this could only be done when there was adequate production, otherwise it would be catastrophic".

These proposals follow Col Gadaffi's suggestion in February that the government should reduce its role in Libya's economy and his criticism of the way public finances were being handled. Late last year he also urged accelerated privatisation of key parts of the economy.

The calls for economic liberalisation – which must be debated by the People's Congress – come as UN sanctions appear to be biting hard.

The Libyan government complained last week that the sanctions had cost more than 800 Libyan lives and billions of dollars in revenues. A statement said 691 people had died in road accidents on their way to airports in neighbouring countries, while 150 died because of delays in medical care created by the blockade.

The government said sanctions had cost $2.2bn (£1.4bn) in lost exports and in losses to the country's livestock caused by shortages of imported vaccines. Libyan Arab Airlines, the state carrier, had also lost hundreds of millions of dollars.

Arab attempts to broker a solution to the Lockerbie impasse continue, led by Egypt, the Arab League and countries of the Arab Maghreb Union, but there are no signs of a breakthrough.

Col Gadaffi has sought to align himself more closely with his Arab neighbours, speaking recently of the threat posed by Islamic fundamentalism to the region – a concern felt more acutely in Algeria, Tunisia and Egypt than in Libya. Last week he said fundamentalists were "heretics" who should be "killed and liquidated just like a dog, without trials".

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.7
1986	105.5	101.0	6.9	98.0	107.9
1987	108.4	105.9	6.1	105.5	109.6
1988	112.1	111.6	5.4	106.1	114.0
1989	114.6	114.5	5.2	99.3	112.7
1990	115.0	115.7	5.4	84.5	108.8
1991	112.7	113.5	6.7	62.0	114.4
1992	117.6	115.3	7.3	60.4	120.7
2nd qtr.1992	2.6	2.0	7.4	60.5	116.1
3rd qtr.1992	4.0	0.6	7.5	60.1	118.7
4th qtr.1992	7.0	2.2	7.2	61.8	120.7
1st qtr.1993		4.4		62.2	
April 1992	3.0	2.5	7.2	59.4	116.4
May	2.8	2.4	7.4	61.3	116.4
June	2.3	1.1	7.6	60.7	116.1
July	3.0	1.2	7.5	59.9	118.4
August	4.4	1.0	7.5	61.2	116.2
September	4.8	0.5	7.4	59.3	118.7
October	6.8	1.2	7.3	60.6	117.7
November	6.8	2.1	7.2	62.4	118.6
December	7.7	3.4	7.2	62.3	120.7
January 1993	4.4	4.5	7.0	60.4	121.8
February	3.2	4.5	6.9	63.5	121.6
March		4.1		62.8	

JAPAN	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	96.5
1986	106.5	99.7	2.8	94.3	105.4
1987	113.8	103.1	2.9	108.3	115.4
1988	122.6	112.9	2.5	135.6	122.7
1989	132.8	119.9	2.2	147.1	126.2
1990	142.0	125.3	2.1	149.7	124.1
1991	145.0	126.1	2.1	144.1	122.9
1992	140.3	120.2	2.2	124.5	123.4
2nd qtr.1992	−3.5	−6.2	2.1	127.2	122.3
3rd qtr.1992	−3.8	−6.1	2.2	121.2	122.9
4th qtr.1992	−5.0	−7.7	2.3	116.3	123.4
1st qtr.1993		−5.1			
April 1992	−2.8	−6.0	2.0	129.9	122.7
May	−1.0	−8.9	2.1	125.4	122.5
June	−6.5	−3.6	2.1	126.3	122.3
July	−1.0	−6.1	2.2	122.8	122.1
August	−4.8	−8.1	2.2	118.7	122.2
September	−5.4	−4.1	2.2	121.2	122.9
October	−1.8	−6.4	2.3	117.8	123.1
November	−5.7	−8.3	2.3	111.5	123.0
December	−7.4	−8.5	2.4	119.7	123.4
January 1993	−3.5	−7.6	2.3	110.4	124.6
February		−5.3			125.9
March		−2.2			

GERMANY	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.0
1986	103.4	102.2	6.4	136.4	104.6
1987	107.4	102.6	6.2	149.4	108.1
1988	110.5	106.3	6.2	184.7	112.1
1989	114.1	111.4	5.6	216.5	115.0
1990	123.5	117.2	4.9	261.0	115.7
1991	130.5	120.7	4.4	270.8	112.8
1992	128.0	118.1	4.8	260.3	106.1
2nd qtr.1992	−4.3	−1.0	4.7	272.5	111.6
3rd qtr.1992	−1.8	−1.3	4.8	259.8	109.2
4th qtr.1992	1.3	−4.6	5.1	230.6	106.1
1st qtr.1993		−10.4		210.3	
April 1992	−2.5	−0.1	4.6	278.5	112.6
May	−4.1	0.6	4.7	272.5	112.2
June	−6.1	−3.4	4.7	268.4	111.6
July	−4.1	−2.2	4.6	264.7	111.2
August	−1.5	−0.7	4.8	261.5	110.6
September	0.3	−1.0	4.9	252.5	109.2
October	−1.8	−3.8	5.0	240.3	108.1
November	0.6	−5.8	5.1	229.6	108.8
December	4.9	−4.3	5.2	220.9	106.1
January 1993	−7.0	−8.1	5.4	212.7	105.8
February	−4.2	−11.8	5.5	209.5	104.9
March		−10.5		208.7	

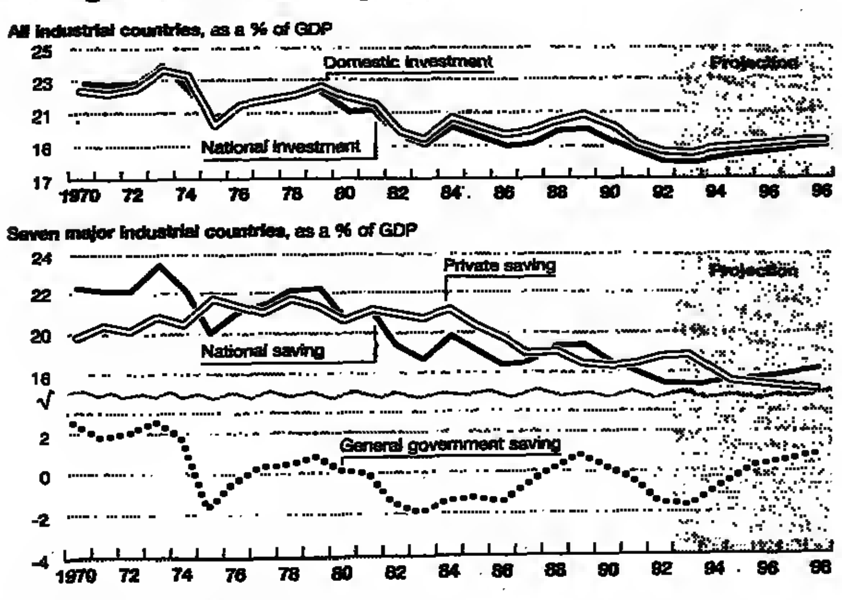
FRANCE	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.2	100.0	102.1
1986	102.4	101.1	10.4	107.2	109.2
1987	104.5	103.1	10.5	117.7	108.5
1988	107.8	107.3	10.0	134.9	113.7
1989	109.5	111.3	9.4	161.1	113.5
1990	110.1	112.8	8.9	186.0	108.3
1991	108.7	113.2	9.4	129.8	109.3
1992	108.9	113.1	10.2	110.0	107.1
2nd qtr.1992	−0.2	0.7	10.2	108.1	109.4
3rd qtr.1992	−0.4	−0.2	10.2	109.8	108.3
4th qtr.1992	−1.4	−2.2	10.4	101.7	107.1
1st qtr.1993				96.5	
April 1992	2.2	1.9	10.2	106.1	110.0
May	−1.1	0.1	10.2	103.2	109.7
June	−1.6	0.3	10.2	115.2	109.4
July	−2.6	−0.6	10.3	111.8	109.2
August	−0.3	−0.6	10.2	111.1	108.9
September	1.9	0.5	10.2	107.1	108.3
October	0.1	0.4	10.3	105.2	106.4
November	−5.2	−3.4	10.4	101.9	107.8
December	1.0	−3.7	10.5	98.2	107.1
January 1993	−0.1	−5.2	10.5	96.6	106.4
February	−4.1	−2.4	10.8	96.5	105.6
March				95.9	104.8

ITALY	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	104.0
1986	105.6	104.1	10.5	110.8
1987	112.1	106.6	10.6	113.0
1988	108.0	114.2	10.9	117.8
1989	116.9	118.7	10.6	118.1
1990	114.3	118.0	10.3	112.3
1991	110.8	115.4	9.8	115.1
1992		113.5	10.6	112.3
2nd qtr.1992	6.3	−0.7	10.0	112.9
3rd qtr.1992		−2.1	10.1	111.9
4th qtr.1992		−3.8	12.3	112.3
1st qtr.1993				
April 1992	14.3	0.5	n.a.	114.4
May	19.3	1.1	n.a.	113.9
June	−4.7	−3.8	n.a.	112.9
July	2.3	−0.2	n.a.	112.5
August	1.3	−1.8	n.a.	112.2
September		−4.4	n.a.	111.9
October		−1.4	n.a.	111.9
November		−5.7	n.a.	112.2
December		−4.4	n.a.	112.3
January 1993		−3.9	n.a.	112.4
February		−4.5	n.a.	
March				

UNITED KINGDOM	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	101.8
1986	105.2	102.4	11.2	116.1	105.1
1987	110.7	105.7	10.3	141.2	109.2
1988	117.8	108.5	8.6	144.3	107.3
1989	120.1	109.9	7.1	124.7	105.1
1990	121.1	108.3	6.8	96.1	102.6
1991	118.6	106.1	8.7	68.7	108.6
1992	120.4	105.7	8.9	68.7	111.9
2nd qtr.1992	1.1	−0.2	8.7	68.7	109.6
3rd qtr.1992	0.6	−0.3	10.1	64.9	109.0
4th qtr.1992	1.6	0.5	10.4	62.3	111.8
1st qtr.1993	3.3			71.4	
1992 April	1.1	1.4	9.6	70.3	108.6
May	1.8	0.4	9.7	68.7	109.7
June	0.6	−2.4	9.8	67.1	109.9
July	−1.1	−1.3	10.0	68.3	109.2
August	1.0	0.2	10.1	65.7	108.7
September	2.0	0.1	10.2	60.7	109.0
October	2.1	0.9	10.2	59.5	110.1
November	1.6	0.3	10.4	61.1	110.9
December	1.0	0.6	10.6	66.1	111.8
1993 January	3.0	1.4	10.7	63.5	113.3
February	2.7	1.7	10.8	74.2	114.3
March	4.1			76.5	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Savings are not what they used to be



Source: IMF World Economic Outlook - April 1993

Assessing the case for higher government savings

THE LATEST World Economic Outlook from the International Monetary Fund (1) forecasts a return to synchronised growth among the industrial countries by 1994. Like most mainstream forecasters, the IMF has been profoundly wrong about the slowdown of recent years. If it is right at last, however, what obstacles might emerge to a sustained recovery? Since inflation is now low by recent historical standards, the IMF focuses particular attention on "unsustainably large fiscal imbalances" and "structural impediments to saving and investment".

The aggregate general government financial deficit of the G7 has grown from 1.2 per cent of GDP in 1989 to an expected level of 4.2 per cent in 1993. A particularly startling deterioration has occurred in the UK, which saw a surplus of 0.9 per cent in 1989 turn into a forecast deficit of 8.8 per cent in 1993. The government deserved the Newbury by-election result for this performance alone. But the French fiscal position has deteriorated considerably too, as Edouard Balladur, the new French prime minister, will be explaining this week.

Recession is only part of the explanation for the deterioration. "In 1993," argues the IMF, "the structural deficits of Germany, France, Canada, the US and the UK are all estimated to be in the range of 2 to 5 per cent of GDP, and that of Italy considerably higher." Only Italy and Canada managed noteworthy improvements in their structural fiscal deficits between 1991 and 1993, while the deterioration in the UK was over 4 per cent of GDP.

"The persistent failure to achieve an adequate degree of fiscal consolidation", complains the IMF, "has had costly macroeconomic consequences: a lower level of potential output because of reduced capital formation; lower productivity growth; high debt-GDP ratios and debt-service payments; pressure on real long-term interest rates; and, most recently, low consumer and business confidence because of uncertainties about future economic policies."

Fiscal positions do matter, but in what it says about the effect of governments on national savings, the IMF goes too far. This is particularly true of its argument that "the most important reason for the trend decline in national saving has been the general increase in budgetary imbalances". As the chart shows, however, the most important reason for this decline has been the declining rate of private savings. The principal question would seem to be how far governments should offset the behaviour of the private sector, be it to raise the overall level of national savings, or to smooth cyclical fluctuations in savings, or to equalise savings rates across countries.

Governments of the G7 do seem to be evening out cyclical swings by saving less whenever the private sector is saving more and *vice versa*. But they have not offset the declining trend in the private savings rate. Furthermore, public savings have not been relatively high where private savings rates have been relatively low and low where private savings rates have been high.

The World Bank's latest analysis of global economic prospects shows, for example, that in 1991 the share of private savings in GDP was 17 per cent in the US, while it was 24.9 per cent in Japan, and while public savings were −2.2 and 9.3 per cent of GDP, respectively (2).

Government savings rates should take account of the rate of national savings if the social return to savings exceeds the private return. Tax systems alone ensure this. A still stronger case can be made for governments to keep their fiscal deficits in bounds, since there is a limit to the indebtedness that any government can hope to accumulate.

But the IMF overstates the link between the two issues. If declining levels of national savings are a problem for the G7, the private sector, not the government, has been the principal culprit. It is incentives for private savings that should be examined more closely.

Martin Wolf

(1) World Economic Outlook. Washington D.C.: International Monetary Fund, April 1993. (2) Global Economic Prospects and the Developing Countries 1993. Washington D.C.: World Bank.

NEWS: UK

Late payment 'notably worse' in Britain

By Vanessa Houlder, Property Correspondent

UK BUSINESSES face greater delays in the payment of bills than their European counterparts, according to a new study.

The UK's record for paying bills between 15 and 60 days late is "notably worse" than in France, Italy, Belgium or the Netherlands, according to research by Manchester Business School for National Westminster Bank.

The study blamed the late payment on companies putting short term financial advantage before their contractual obligations. "It is a demonstration that the business culture ranks monetary gain above ethical behaviour," it said. The research underlined problems for small businesses from late payment of bills, which have intensified during the recession and led to government initiatives to attempt to shorten payment times.

The study cast doubt on the assumption that the problem of late payment is inflicted by large companies on small suppliers. Although the finances of small companies suffer disproportionately from late payment, they are no better than large companies in paying bills on time.

"Large companies may well be late payers, but small and medium-sized enterprises are at least as bad and probably worse," the report says.

It points out that small companies are unlikely to be able to pay suppliers more promptly than large companies because they have higher finance costs and a greater proportion of trade creditors.

The study supported a proposal, backed by the Forum of Private Business, a small business lobby group, for legislation to give companies a statutory right to interest on unpaid bills. However, it acknowledged that there was "no significant evidence" that a statutory right to interest improved late payment.

The study called for a reduction in credit periods, which it said would improve the cash-flow of many UK companies. It said small manufacturers and wholesalers would gain from shorter credit periods, although the agriculture and retailing sectors would not benefit as they would need to finance increased working capital.

Final talks expected to begin today on Pharmaceutical Price Regulation Scheme

Rate of return on drug sales to be set soon

By Paul Abrahams

FINAL negotiations are expected to begin today between the department of health and the Association of the British Pharmaceutical Industry aimed at concluding the scheme that sets the rate of return for drugs companies operating in the UK.

Talks about the scheme, known as the Pharmaceutical Price Regulation Scheme, started eight months ago.

"There is quite a lot of good will," said one drugs group executive. "We hope to conclude the negotiations over the next few weeks, although there is still quite a gap between what we want and the department's proposals."

The industry is anxious to finish the PPRS negotiations. The government needs to save money on its drugs bill during this financial year and if the PPRS is not settled early ministers could be tempted to introduce a freeze on drugs prices or even price cuts similar to those recently introduced in Germany.

The National Health Service drugs bill last year was £3.49bn and is estimated to be increasing at between 12 per cent and 14 per cent a year, according to the ABPI.

Meanwhile, the NHS advisory committee on drugs, set up to decide which drugs within 10 therapeutic areas the NHS will no longer pay for, met on Thursday.

The committee is expected to publish its final conclusions shortly on topical anti-rheumatics, anti-diarrhoeal medicines, appetite suppressants and drugs for vaginal and vulval conditions.

The ABPI wants any recommendations to be the subject of full parliamentary debate.

The committee is also expected to inform companies soon of its preliminary recommendations on three other groups – hypnotics and anxiolitics, drugs used in anaemia and topical cortico-steroids.

The association is anxious the rate of return on capital employed set by the PPRS should not be reduced. It claims the rate, set at between 17 per cent and 21 per cent, is reasonable and that the actual return is less than 10 per cent.

The ABPI is also anxious to correct an element within the PPRS which appears to provide a disincentive for exporting. Under the present complex rules any increase in exports effectively reduces permitted UK profits.

American members of the ABPI are also known to be worried about measures to control promotional expenditure, which is limited to about 9 per cent of sales to the National Health Service.

British general practitioners take up new drugs far more slowly than their French or Italian counterparts and the US groups believe this is partly because educational activities are curtailed.

EASTERN TROUGH AREA PROJECT

BP to announce N Sea plan

By Deborah Hargreaves

BRITISH Petroleum is expected to announce plans today to go ahead with a development plan for eight or nine oil and gas fields in the central North Sea area.

The group is thought to be pushing ahead with the project sooner than originally planned because of changes to the oil tax regime proposed in the budget.

The development is called the Eastern Trough Area Project and involves eight companies including Shell and Esso.

It is expected to cost between £600m and £1bn to bring the fields into production by 1998. The fields are believed to contain between 600m and 1bn barrels of oil and more than 1,000bn cubic feet of gas.

Mr Chris Fay, managing director of exploration at Shell, said last week that the project could involve the construction of three or four fixed oil platforms which would be used to produce oil and gas from the four main fields.

The four or five smaller, adjacent fields could be hooked up as satellite developments. Shell said the budget changes proposed for Petroleum Revenue Taxes will make developments of this type more economic as they will not be liable to pay PRT.

The proposed changes to PRT involve lowering the rate from 75 per cent to 50 per cent and abolishing it altogether for new fields.

However, the abolition of tax relief for exploration and appraisal work has angered many of the smaller, independent North Sea explorers.

TAKING ON THE WORLD: A worker at Silver Knight Exhibitions, the Coventry-based display company, puts the final touches to a model designed for the British pavilion at Expo '93 in Tawjon, Korea. The first exhibits have been dispatched to the trade fair, which opens on August 7. Exhibits will include a Williams car driven by Nigel Mansell in last year's world motor-racing championship and the Olympic-winning Lotus bike.

MPs likely to attack CD prices

By Financial Times Reporters

THE BRITISH music industry is expected to be criticised this week by a parliamentary committee report questioning the prices charged for CDs.

The report could be followed swiftly by an investigation by the Monopolies and Mergers Commission.

Sir Bryan Carsberg, director-general of the Office of Fair Trading, hinted at the end of April that a referral may be made, and that he would announce his decision in two to three weeks.

Judging by the attitude of MPs at ill-tempered public hearings of the national heritage committee last month – when members from all parties accused industry representatives of over-charging for compact discs – their report to be published on Wednesday is likely to be highly critical.

Sir Bryan said at committee hearings that he still had an open mind about whether the UK music industry operated a complex monopoly on CDs. He added, however: "There is enough information there to make me concerned about the situation."

He said the lower price of CDs in the US had persuaded him the issue needed to be examined again, even though his predecessor, Sir Gordon Borrie, found no reason to call for an MMC investigation as recently as April last year.

Sir Gordon said then he could see little reason why CD prices were so high but that consumers appeared willing to pay the prices charged. He concluded there was no monopoly in the business and no evidence of collusion between CD producers or retailers.

Sir Bryan said at the recent committee hearings that matters which needed to be explored included restrictions on CD imports to the UK from the US and whether contracts between artists and music companies created a "limited monopoly situation".

In a letter to the Financial Times today Mr John Deacon, director-general of the British Phonographic Industry, denies that CD prices are 40 per cent higher in the UK than in the US. Taking exchange rates into account, the difference is 10 per cent to 15 per cent, he says.

Letters, Page 12

Polly Peck creditors await report from administrators

By Andrew Jack and Robert Rice

CREDITORS of Polly Peck will be waiting anxiously for the latest report from the group's administrators at the end of this month after Mr Asil Nadir's escape from bail to Cyprus last week.

Claims by Mr Nadir that he will attempt to regain control of companies in the group are likely to de-stabilise attempts by accountants to recover assets on creditors' behalf.

Mr Michael Jordan, one of the group's joint administrators at accountants Coopers & Lybrand, said last week that he had been on the verge of an agreement with the authorities in northern Cyprus to arrange sales of Polly Peck assets.

He flew back to Istanbul at the end of the week in an attempt to safeguard these arrangements. Another accountant close to the discussions said: "Negotiations were at a delicate stage. Now the dust has to be allowed to settle."

Coopers said a Turkish buyer was on the point of agreeing to pay $20m for Meyna, the Turkish fruit business, and a Cypriot was "shortly" to pay about $10m for ICP, a pharmaceutical company. Administrators are meeting early this week to discuss a more detailed strategy on how to pursue their claims in the light of Mr Nadir's escape. They are due to report to creditors again at the end of this month and so far they are sticking to their projections made in October.

These suggested dividends in the range of nothing to 4p or 4p to 10p. Which range applied would depend on the unresolved assessment of how a $400m loan from PPI to Holdings BV for Del Monte was routed.

Mr Jordan said no dividend was likely this year, although he might recommend to creditors that Polly Peck moves from administration into a voluntary arrangement or liquidation and insolvency procedures before then.

The $400m loan represents the difference between the group's estimated liabilities in October 1990 of either £1.4bn or £1.6bn. Of the total, £632m is owed to banks and other creditors and £287m to bondholders.

By October last year professional and legal fees and costs stood at £15.6m. There had been total payments of £66m and receipts of £68m, including realisations of non-core businesses and assets of £37m.

Del Monte was sold in November last year for $499m, of which net proceeds left for distribution by the administrators are $218m.

The most significant remaining assets include an 86 per cent stake in Vestel, which is quoted on the Istanbul stock exchange and an 18 per cent stake in Sansui, the Tokyo-quoted electronics group.

Other outstanding assets in northern Cyprus include Unipac, Sunzest and Voyager Kibris, which manages four hotels. Coopers said the total value was about $40m, but it could not give an exact sum since it had been denied access to the accounts of the companies on the island.

The remaining prospects for creditors will come from any recoveries from writs issued by Mr Christopher Morris at Touche Ross, another joint administrator. These include £378m against Mr Nadir, £70m against Citibank and possible future action against Stoy Hayward, Polly Peck's auditors.

Touche said legal proceedings had already achieved a settlement for an undisclosed amount against Impexbank, and it was pursuing judgments against Mr Nadir's mother, the Industrial Bank of Kibris and Unipac.

Training councils and government split over priorities

By Lisa Wood, Labour Staff

SHARP differences in priorities for training the jobless have emerged between the government and the private sector-led bodies it pays £1.8bn a year to carry out the programmes, according to a survey by the Financial Times.

The survey is the second to canvass the opinions of the 1,220 board members of the 82 Training and Enterprise Councils (Tecs) in England and Wales, responsible for delivering the government's main training programmes.

Most of the Tec directors who responded rated the training of the jobless as their lowest priority, despite getting the bulk of their public funds for that purpose. Top priority, according to a majority of directors, was local economic regeneration, including the creation of jobs. "Jobs should be real and not cosmetic," said one director.

The survey highlights the frustration of many Tec directors who want the Treasury to allow them more flexibility and discretion in their approach to assessing local economic and labour market needs as the recession ends.

A number of other tensions exist in what the government describes as a strategic partnership with Tecs. Fifty-nine per cent of directors in the survey were not satisfied with the relationship between Tecs and the government.

The findings are topical. While the government sees Tecs as here to stay there are growing tensions over how the partnerships should evolve.

Tecs want more co-ordination between government departments so that a more focused approach could be taken in areas such as education and training. Half the 506 directors who responded to the survey – more than 40 per cent of all the Tec directors in England and Wales – advocated the establishment of a new department of education and training.

One of the most controversial ideas being considered by the government is the introduction of "workfare". Selected groups would have to take community jobs or training in return for benefits. Forty-six per cent of directors in the survey supported such a move.

CONTRACTS & TENDERS

MANAGEMENT

More companies are putting corporate values into words, writes **Lucy Kellaway**

Men with a mission

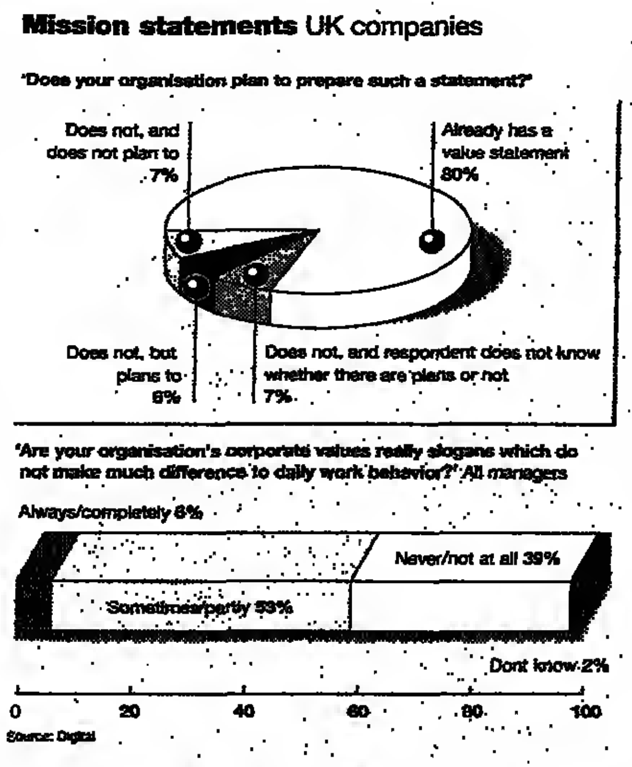
On every desk at Dun & Bradstreet is inscribed a corporate prayer. "As the men and women who are The Dun & Bradstreet Corporation, we are a team – One Company united through shared values" it begins, inciting the 56,000 employees to "strive relentlessly" and to "work to be the best".

In the 2,000 heel bars of the Minit Corporation around the world is a framed statement declaring that the company's mind is "positive, optimistic and determined". In the pockets of every Motorola worker is a laminated card bearing that company's mantra.

Corporate values have come out of the closet. In the last few years most big US organisations have felt the need to make a public statement about what they believe in, what they are about and where they are going.

The trend has now crossed the Atlantic. According to a report by Digital Corporation, some 80 per cent of British companies have put their values into words.

Mission statements UK companies



Source: Digital

There is no standard form to these pronouncements. Some are just a line or two, others run to a small volume. Some take the shape of "mission" or "vision" statements, setting strategic goals for the business as a whole, while others lay down standards of behaviour of the people inside the organisation. But all are trying to capture the essence of the company: to find something that will tie a diverse group of people and interests to a single goal or set of values.

It is no surprise that these statements have recently caught on. As the old hierarchies within companies have toppled, employees have had to take more decisions for themselves. "If you flatten an organisation, people have nothing else to turn to when they make judgments," says John Humble, the management consultant who prepared the report for Digital. At the same time shareholders have increasingly demanded clear statements from companies justifying their existence.

The most common form of mission statement involves a description – usually spelt out in the annual report – of the company's aims. This can range from the banal to the baroque, and may include a statement of its values.

At one extreme is "Ikea's Business Idea", which simply states as its guiding principle: "We shall offer a wide range of home furnishing, items of good design and function, at prices so low, that the majority of people can afford to buy them." At the other extreme is the Body Shop which proclaims in giant type on the back of its annual report: "Make compassion, care, harmony and trust the foundation stones of business. Fall in love with new ideas."

Other companies state goals that reach beyond their actual business: J Sainsbury rather grandly talks not just of selling groceries but of "contributing to the public good and to the quality of life in the community".

When it comes to listing their values, the same ones appear again and again: most companies cite the need to care for people, customers, quality, competitiveness, innovation, the community and the environment. Yet not all statements are so fashion conscious, nor so bland. The Yorkshire conglomerate BBA unashamedly announces: "The Victorian work ethic is not an antique," and "grit and gumption are preferable to inertia and intellect."

But how worthwhile are these statements? Some seem so obvious as to be barely worth saying, while others are hard to say while keeping a straight face. Academic evidence from the US suggests that companies with a strong mission tend to have outperformed their competitors, but then those companies seem to be better managed generally. The mere existence of a statement of corporate values or of a mission appears to have little, if any, effect on a company's performance. The Digital survey shows that more than 60 per cent of value statements are not strictly adhered to by managers, let alone by the rest of the workforce.

This is an alarming finding, as a statement which is not being followed properly can be a liability. "If you bang on about a mission that is not believed, you are devaluing management," says Mike Jeans of consultants KPMG.

So how can companies make their statements work better? Philip Mellor from Dun & Bradstreet says the company's value statement is part of a broad programme of cultural change. To make the values stick, everyone is trained for five days every year and employees are rewarded on how well they live up to the values.

The Minit Corporation claims that its statement has been a success partly because it consulted 300 managers in 27 countries before the final draft was drawn up.

However, not everyone agrees that companies should have value statements at all. According to Andrew Campbell of Ashridge Strategic Management Centre, statements are really only helpful in companies that already live by them. They are an *aide memoire*, but not of much use in motivating people or in helping them change their behaviour.

A case in point is Marks and Spencer, which has grown a strong sense of corporate value without any formal statement. "We do not hand out principles like the 10 Commandments and say thou shalt abide by them," says a company spokesman.

Campbell argues that companies should initially limit themselves to the flatest statements of what they do, and perhaps what it wants to be. "But the 'I believe' stuff is very dangerous. If you write it, you'd better believe it," he warns.

No doubt BBA really does believe its philosophy of hard grind; whether all those companies that declare a belief in their people or in the environment live up to their words is another matter.

Ford's engineers become lateral thinkers

Julian McNamara looks at the company's new programme to spark creativity

Ford Europe is undertaking what could be the biggest profit-motivated retraining and re-motivating exercise in the field of production and engineering. The object, according to Tom Smith, co-ordinator of occupational psychology at Ford Training and Education, is to make better motor cars available more quickly.

"As a company we could see areas where the decision-making process stifled creativity. The aim of the Education Training Quality Improvement Plan (Equip) is to remove obstacles at all levels, and hopefully everything we achieve will show through quickly on the cars themselves."

A few years ago that type of statement would have verged upon heresy in Henry Ford's empire. But as western manufacturers have watched the Japanese and latterly the Koreans, slash new model development times from five years to two, corporate structures have come in for overdue questioning.

Part of the aim is to raise the level of ingenuity and efficiency of the engineering staff and to change the perception of the engineer within the organisation.

"Our engineers are first class but if a creative man feels that he is being badly managed or badly rewarded, he can soon feel penalised because of his skills. So the wider programme extends to all areas of management," says Smith.

Originally conceived by Ford UK, the programme has now been adopted by Ford Europe which plans to extend it to some 4,000 engineers.

Allowing for the projected individual timespan of the programme – some 15 months – its scale is enormous.

But just how do you identify the creative engineer? The question is far more complex than it appears; for instance, normal personnel tests tend to be self-defeating. Faced with a questionnaire asking whether you have: very few creative ideas; more than a few; many ideas; would anyone other than a fool opt for the first?

According to Smith's colleague Fiona Patterson, the answer lies in questionning established engineering values. "There is a tendency to over-engineer solutions to what can be simple problems. This, as with the set heirarchical structure, is not unique to Ford and probably begins at university. The creative engineer will have some ability to think laterally."

Ona test devised by the team for use at recruitment level is to take a ball-bearing travelling down a ramp into and through a funnel (normal time about five seconds) and ask candidates to extend its journey to 20 seconds.

The majority of engineering graduates seek to slow the ball on the ramp with cardboard or masking tape. Few bother to ask if they can move the funnel and even fewer grasp the principle that tilting the funnel will cause the ball-bearing to spin inside the lip and gain the extra time. A small test, but a good pointer towards the kind of lateral thinking sought by Ford.

As well as identifying and motivating the creative element, Equip is seeking to break down other long-term barriers towards engineering excellence.

In common with most retraining programmes the course offers sections on problem-solving and constructional use of theoretical skills. But where it differs from other such programmes is in seeking to develop a range of behavioural skills.

As sequentional development and manufacturing is replaced by faster simultaneous methods, so teamwork is of increasing importance. This is where the sports psychologists come in. The same disciplines which allow teamwork on the football pitch can be harnessed in the design and development processes.

The prize, if Ford succeeds, is engineers freed from their present constraints and able to match the Japanese in the all-important "surprise and delight" field.

At its most simplistic level, this philosophy states that if the product performs satisfactorily on all other levels – for instance, in a car that would mean utility, economy, reliability and value-for-money – the deciding factors in whether a customer buys one product over another is how many "surprise and delight" features are available.

To succeed, the company must understand what the public will want, before they really demand it and it is up to the engineers to provide it. It is a field in which the Japanese excel. With that in mind, as the first 300 Ford engineers went into the Equip programme in March, the question of whether psychologists can speed up the production process took on a great deal of importance.

Wooing the customer

Hugh Aldersey-Williams on the Citizen's Charter

Public services and companies that responded to the launch of the British government's Citizen's Charter initiative last year have reported mixed results from their efforts.

This partly reflects the fact that elements of the Citizen's Charter are still coming into effect. Earlier this year for example, British Rail's Network SouthEast gave its first discounts to last year's delayed season ticket-holders. In addition, from the beginning of the year contractors have been obliged to explain why a road is being dug up and how long the work will take. From April, hospitals began to offer appointment and waiting-list guarantees.

Private-service providers have jumped aboard the bandwagon, but they have been as prone to miscalculate the tone and content of their charters as the public sector.

Norman Lamont, chancellor of the exchequer, set the ball rolling by asking the big four clearing banks to introduce charters for their business customers. Their response came in the form of modest promises. However, the banks' image was so tarnished by the time their charters came out that they were dismissed by many customers. They promised too much and were not believed.

Just as bad is to promise too little. This is where many public-sector organisations fall short. They hedge their promises. British Rail asks for its customers' views, but only on comparatively trivial matters such as station cleanliness and staff behaviour. Its Intercity standards employ such sophistry that the public has no benchmark by which they can measure performance.

Perceptive companies, however, see there is a competitive advantage to be gained from customer charters. "The big banks had charters forced upon them and this has coloured people's views," says Ian Farnfield, a partner at Dragon International, a marketing consultancy that has advised companies on preparing charters. "But they should be viewed as a positive opportunity."

With any charter it is crucial to avoid promising what people do not really want. Payment of an average of £1.50 – the cost of one journey – from London Underground is poor compensation for a business meeting missed. So is £10 from British Gas for a broken appointment.

BAA (formerly British Airports Authority) tried giving monetary vouchers to compensate for long queues, but soon stopped when research showed the policy to be counter-productive. "People didn't really want to know if we had queue time limits because they thought we might not be checking security efficiently," explains Jenny Bradley, director of public affairs at Heathrow Airport.

On the other hand, a commitment to provide for free something that occasionally comes at a price can make a good impression – such as Shell's pledge promising free air and water at its petrol stations.

Farnfield advises businesses not to issue charters if they do not have the support of both top management and the "shop-floor" staff who are in contact with the public.

Many companies have always had internal codes of practice, but saw no mileage in making them public. But more industries may soon hop aboard the customer charter bandwagon.

Dragon International believes businesses with the potential to benefit include those where the customer is obliged to trust a more expert supplier, such as pharmaceuticals, the building industry and personal financial services.

Europe's No. 1 telecommunications company is helping east-west business get into full swing.

The Commonwealth of Independent States (CIS) needs access to western market economies. Equally, many European companies are interested in developing new business relationships further east. A fully functioning telecommunications infrastructure is a fundamental prerequisite for meeting these objectives. And it's on this international, east-west stage that Telekom is currently making a vital contribution.

Working closely with several other partners from German industry, we're participating in the CIS ROMANTIS project to create a satellite-supported communications network. This will link the CIS countries to each other and to the western telephone network.

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City blast repairs

TRAFALGAR HOUSE CONSTRUCTION companies have won three new contracts worth nearly £15m for building and civil engineering work in the UK and overseas.

Trollope & Colls has a repair and refurbishment contract valued at approximately £6.5m at 40 St Mary Axe, which was damaged in last year's explosion in the City. The year-long contract involves repairing the Portland stone facade as well as doors, staircases and ceilings, and replacing windows, plant and internal services.

The regional business of Trafalgar House Construction has two contracts worth nearly £5m for the refurbishment and installation of internal sanitation at HM Prison in Stafford, and the design and construction of student accommodation at the University of Teesside.

Overseas, Cemindia has been awarded a £3.5m contract to construct a 290 metre multi-purpose berth at the port of Paradip in India.

Evered Bardon awarded £17m for US projects

EVERED BARDON, the international quarry and aggregates group, has won a series of contracts in the US with a combined value of $27m (£17m).

In Massachusetts, Bardon Trimount will be the main contractor on four highway resurfacing contracts valued at more than $16m. Over 300,000 tons of coated stone will be supplied to these contracts, which include resurfacing a tolled section of Interstate 90 between Grafton and Framingham for the Massachusetts Turnpike Authority.

The company has also won contracts to supply materials to two major projects in downtown Boston. 17,000 cubic yards of readymix concrete will be supplied to Turner Construction, which has won the contract to build the New England Medical Centre, and more than 400,000 tons of aggregates are to be supplied to Spectacle Island, part of the $6bn Boston Harbour clean-up scheme.

In Washington DC and Maryland, Evered Bardon's Mid-Atlantic division has won contracts to supply more than $6m of materials. Over 300,000 tons of aggregates will be supplied to the Government Federal Triangle building in Washington DC and a similar quantity is to be railed and barged to the Patuxent Naval Air Station in southern Maryland for a major resurfacing contract.

The company has also been awarded the contract to supply 20,000 cubic yards of readymix concrete to the Baltimore City Jail Annexe. Construction begins this month. Aggregates for the concrete on this project will be supplied via Evered Bardon's second aggregates rail terminal in the region, which opened late last month at Canton in Baltimore City.

A view of the Federal Triangle project in Washington

£19m orders for Alfred McAlpine

ALFRED McALPINE BUILDING has been awarded another £19m contracts since the beginning of March. These include three contracts to build social housing.

Alfred McAlpine south east region continues its success in winning social housing work with another two contracts.

The larger of the two, worth £4.2m, is for East London Housing Association and involves the reclamation of a disused nursery site in Eisenhower Road, Beckton and the subsequent construction of 77 traditionally built houses on piled foundations.

The second contract is for Crawley Borough Council and comprises the construction of 14 houses and 12 flats at Ifield Road, Crawley. Work on the project, worth £1m, is due for completion in January 1994.

Alfred McAlpine Midlands region has been awarded a contract to build and refurbish social housing on the Exeter Estate in Corby. The project for Corby District Council is worth £7.6m.

The Midlands region has also won a contract, worth £4.6m, to build a press works for the Express & Star in Wolverhampton. The work involves the demolition of the paper store, garages and transport offices and the construction of the new press works including an extension to the car park.

Finally, Alfred McAlpine's southern region has been awarded a contract to erect four bays, giving four hour fire resistance, in a warehouse at HM Naval Base, Portsmouth. The contract, awarded by Defence Work Services, is worth £1.5m.

Colchester housing scheme

MANSELL has been awarded Phases 3 and 4 of a residential design and build scheme for clients The Guinness Trust. Providing a 123-unit development in Highwoods, Colchester, the scheme has a value of £4m with completion anticipated mid-1994.

The design of the scheme has been prepared in collaboration with the John Groom Association, providing groups of bungalows for the disabled. The bungalows comply to the John Groom building specification incorporating extra wide doors for ease of wheelchair access; ramps and dropped kerbs around the entire development; specially equipped toilets, bathrooms and kitchens.

PEOPLE

Two move to invest in Save & Prosper

Fund management group Save & Prosper has two new board members, Mark White (right), who moves from within the Robert Fleming Group, and Steen Steincke who was previously with Hafnia, the Danish insurer whose parent company went into receivership last August.

White returns to the UK after seven years in Hong Kong, to replace 52-year-old Simon Walters as investment director in charge of the fund management performance of Save & Prosper. Walters in turn goes back to Hong Kong where he prefers living, to become head of international investment operations at Jardine Fleming. Both Jardine Fleming and Save & Prosper are subsidiaries of the Robert Fleming Group.

Just 37, White joined Flemings from Oxford in 1976 as an analyst. Latterly a director of Jardine Fleming Holdings and Jardine Fleming Investment Management, White was also chairman of the Hong Kong Unit Trust Association. Paul Bateman, S&P's chief executive, said it was appropriate at this stage of his career for him to return to a UK-based job. Save & Prosper has long had the reputation of being a slumbering giant, although Walters was able to achieve some improvement in investment performance.

Meanwhile Steincke, a 44-year-old Dane who speaks six languages, joins in the newly created role of director of European retail operations. The job had previously been included in Bateman's remit; the creation of a separate role reflects the growing importance of the Continent - principally France, Luxembourg and Spain - to Flemings. Bateman says that Steincke had been looking for a job with a European perspective which he had missed in his last assignment as chief executive of Hafnia Holdings UK. The group says Hafnia's fate was not relevant to the decision to hire him, and that Steincke had an impressive previous track record. Between 1986-1990 Steincke was president of Hafnia Bank in Copenhagen before moving to London to become managing director of Prolific Financial Management in London. Hafnia has now sold the Prolific life insurance operation to Scottish Provident.

Ugland to take over chair of ship repairers

Andreas O Ugland, a member of the Norwegian shipping family and chairman of Ugland Brothers, the UK-based ship management company, has been appointed chairman-designate of Bristol Channel Ship Repairers.

Ugland is expected to take over the chairmanship in the autumn when Bristol Channel's current chairman, Christopher Bailey, steps down.

His appointment appears to mark the end of a sometimes acrimonious battle for control of the group waged over the past nine months.

Ugland is Bristol Channel's largest shareholder. It has built up a 24.19 per cent stake, the bulk of which was acquired in July when the company bought 18m shares from CH Bailey, which also operates dry dock facilities in the Bristol Channel. This cut Bailey's holding to 8.21 per cent.

In March a bid by Ugland to seize control of the board at an extraordinary meeting was backed by shareholders but foiled when Bailey called a surprise board meeting the day before the EGM and appointed five new directors.

However, it appears that since then the two sides have reached a better understanding. John Love, one of three Ugland directors on the board, says Bailey had recognised that the move was in the best interest of all the shareholders.

Bodies politic

■ **Ian Deslandes** (above) has been appointed director general and **Jim Kane**, a director of Bovis Construction, chairman, of the BUILDING EMPLOYERS CONFEDERATION.

■ **Sir Robert Gerken**, former Flag Officer Plymouth, and **John Ingham**, leader of Plymouth City Council, have been appointed chairman and deputy chairman of PLYMOUTH DEVELOPMENT CORPORATION. **Jonathan Harris**, chairman and md of CARLISLE GROUP, is to be one of the private sector representatives.

■ **Rodney Grahame**, professor of clinical rheumatology at Guy's Hospital, has been appointed chairman of the DISABILITY LIVING ALLOWANCE ADVISORY BOARD.

■ **Kenneth Edwards**, vice-chancellor of the University of Leicester, has been appointed chairman of the COMMITTEE OF VICE-CHANCELLORS AND PRINCIPALS.

■ **David Varney**, md of Shell UK, has been appointed president of the United Kingdom PETROLEUM INDUSTRY ASSOCIATION.

■ **Peter Purton**, recently retired senior partner of Norton Rose, has been appointed chairman of the WINE STANDARDS BOARD of the Vintners' Company.

■ **Ann Scully and Christine Downton** have been appointed to the board of IMRO.

■ **Bill Clark**, md of SnyderGeneral AAF, has been appointed chairman of Northumberland Tec.

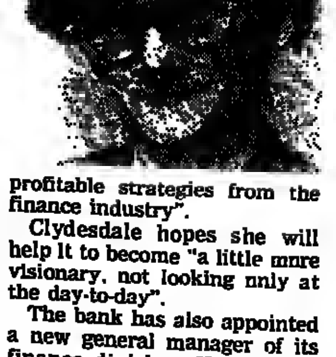
■ **John Swain**, md of Anopol, has been elected chairman of the METAL FINISHING ASSOCIATION.

Academic to steer strategy for Clydesdale Bank

Clydesdale Bank, the Glasgow-based clearing bank which belongs to National Australia Bank, is bringing in outside blood and, it expects, new ideas with two appointments. They follow the arrival as ceo last year of Charles Love, formerly director of branch banking with TSB and ceo of TSB Bank Scotland.

Catherine Smith, an academic authority on banking, has been appointed to the newly created post of head of strategic development, joining the executive management committee and reporting directly to Love.

Holding a doctorate in economics from Glasgow University, she has been a consultant and conference speaker, advising clients in financial services in Europe and North America on strategy.



Her reputation grew from a big study of computerisation in the Scottish clearing banks, followed up by a series of management books on banking technology and strategy, of which the most recent is entitled "Tomorrow's success - profitable strategies from the finance industry".

Clydesdale hopes she will help it to become "a little more visionary, not looking only at the day-to-day".

The bank has also appointed a new general manager of its finance division. He is Peter Aslett, who joins from British Petroleum where he was vice-president for finance and chief financial officer with Tex/Con Oil & Gas in Houston Texas. Before that he worked for ICI both in the UK and the US. He succeeds the long serving Jim McNeillage who has left the bank, "taking with him our very best wishes".

Heart and soul of the National

Colin Amery admires the gallery's refurbishment of its Central Hall

National triumphs are thin on the ground at the moment, but one that offers more than due cause for celebration was unveiled last week. At the National Gallery the opening of the refurbished Central Hall (the gift of Lord Rothschild) marks the completion of a major stage in the reordering and redecoration of the main galleries. Visitors to the National Gallery are now able for the first time to stand in the new hall and comprehend at a glance the whole plan of the building.

If you want to undergo an amazing architectural experience, stand in the gleaming new hall and look to the east and then to the west. It is now possible to enjoy a vista of what must be one of the finest enfilades of great rooms in Europe.

This architectural triumph has two roots. First of all the architect of the Sainsbury Wing, Robert Venturi, immediately grasped the possibilities of axial views throughout the whole building when he made the decision to plan the new extension as a wing of an existing palace. He aligned the approach to the Sainsbury Wing from the main gallery floor so that the existing axial plan coincided with the main route to the new wing. His circular bridge with its screen walls can now be seen as a focussing element that leads the eye without distraction into the vistas of both the old and the new buildings.

The second root of this triumph was the decision to commit the building policy of the gallery to a refurbishment programme based upon the recognition of the architectural virtues of the mainly 19th-century galleries.

Last week, at the dinner held in the Central Hall in mark its reopening, Lord Rothschild spoke of the beginning of the battle for the architectural soul of the National Gallery, which began more than a decade ago. "The question was *whether or not* to re-create the marriage of Victorian art and architecture which, in the post war period, had been thought somehow improper and shameful and distracting from the pictures."

It was in the set of galleries known as the Barry Rooms (designed by E.M. Barry 1867-76) that the policy of authentic restoration was first carried out to remove the whitewash that had been applied after the war to hide the Victorian polychromy. This successful precedent encouraged the National Gallery to proceed along the path that has gradually revealed the best qualities of the existing building.

Thus the Central Hall was restored to the original decorative scheme designed by Sir John Taylor with John Crace. Lord Rothschild's generous gift has created a calm centre at the heart of the galleries where, visitors can meet and rest and feel immediately that they are at the central point of e new logical hang which divides the collection into four easily identifiable wings: the Sainsbury Wing, with paintings from 1260 to 1510; the West Wing, paintings from 1510 to 1600; the North Wing, paintings from 1600 to 1700; and the East Wing with paintings from 1700 to 1920.

The Crace/Rothschild scheme has been carried out by the gallery architect, Michael Morrison of Purcell Miller Tritton with Milinaric, Henry and Zervudachi as the interior decorators. The brilliant team of Hare and Humphries carried out much of the specialist gilding and painting. The well-scaled pattern of acanthus leaves on the wool damask walls make e reticent background to the four battle scenes by Horace Vernet painted for the Duc d'Orleans, later King Louis Philippe. The intention was not to create another gallery here, but to keep the hall as a breathing space and a point of reference for the whole building.

The particular success of the colour scheme in the hall is that it links through to the redecorated vestibule and makes visual sense of an area that was once so confused. But there is another modest triumph which visitors should not miss. A handsome new staircase has been created to take visitors to the lower floor from room 13 with stone steps and railings, based on a William Wilkins design. It was an inspired idea to hang the *Domenichino (1581 - 1641) frescoes* from the Stanza di Apollo in the Villa Aldobrandini at Frascati on this staircase. They tell stories of Apollo, the patron of poetry, music and the arts, and have e light and festive quality.

But the heart is lifted by the whole success of the rejnvenation of the National Gallery. More remains to be done - the vestibule and the lower restaurant floor and of course the costly but vital need to redesign the interiors of the grim Northern extension. Surely donors will flock to ensure the completion of the settings for this, one of the finest national collections in the world.

The success of the National Gallery *demonstrates that it is possible* to offer the public the highest possible standards of both collection and display. Underlying it all is a clear understanding of the enlightening potential of the visual arts. The gallery has been fortunate in its patrons and its helpers. It stands as it should, as a national exemplar of breathtaking quality, a model for the world.

The newly restored Central Hall, now a point of reference for the whole building

Sponsorship/Caroline Kay

Seven figure Digital

The pleasure of a recession must be that, like banging your head against a brick wall, it feels so good when it stops. Announcements of seven-figure sponsorships hava been thin on the ground in recent years, but last week the arts world was reminded of the glory days when the Secretary of State for National Heritage announced, at the new British Library at St Pancras - surely the largest and grandest brick wall in London - a £1 million sponsorship from Digital.

In return for having an interective exhibition gallery named after them, Digital has provided the Library with its largest ever private sponsorship in the form of computer systems integral to the Online Public Access Catalogue and the Automated Book Retrieval System, which will ensure that items from the 12 million volume London holdings can be identified, retrieved and delivered in 30 minutes.

Digital is also computerising the Tate Gallery's library and archive - e significant collection of more than 250,000 documents and artefacts relating to 20th century art. This will be the first art library to go on to such an image retrieval system in Britain, and Digital will benefit by demonstrating it to clients and employees as well as receiving traditional corporate *benefits*.

These sponsorships build on Digital's existing provision of computer systems - whicb already run the box offices et the Royal National Theatre, Sadler's Wells and elsewbere - and its continuing support of dance. Where would the arts he without Digital?

★

If Digital were in Scotland, it would be able to win an Award specifically for "sponsorship in kind" - one of the categories in the ABSA Scottisb Awards, held last week in Glasgow and sponsored by United Distillers and *The Scotsman*.

It is understandahle that, in a recession, sponsorship in kind has grown. It is less ostentatious in hard times, and the exchange of goods or services it involves can be more personal than a traditional cheque-signing sponsorship.

This year's category winner was Safeway, which made possible Scottisb Ballet's first ever tour to Russia and the Ukraine by providing three pantechnicons, with drivers, to transport sets, scenery and costumes, together with enough Safeway products to feed an entire ballet company, many of whom were vegetarian.

Six other sponsors - BP Oil, Mobil North Sea, General Accident, the Royal Bank of Scotland, Scottish Television and One-Up - also received Awards for their support of the arts in Scotland in 1992.

Current sponsorship in Scotland is healthy and diverse. *This year's Edinburgh International* Festival has achieved a record sponsorship and donation level of £805,000, compared with £789,000 last year, with Scottisb Power as tbe major sponsor.

In the Highlands and Islands, Hydro-Electric has joined forces with the Edinhurgh's Traverse Theatre to take a new play to those remote communities and to use the play as a springboard for seeking out new playwrights who are working in isolation, providing them with workshops and rehearsed readings. This is Hydro-Electric's adventurous first move into tbeatre: the sponsorship aims to show a commitment to customers and communities and the bunt is on within Hydro-Electric for staff with hidden play-writing talents.

In another in-kind sponsorship, the Portfolio Gallery has brought together artist Calum Colvin witb three businesses - Tayburn, B&S Visual Technologies and Fuji Film - to create a Boscb-inspired exhibition, using state-of-the-art graphics and photographic technology, of "The Seven Deadly Sins and the Four Last Things". Steven Shear of B&S commented that producing an artist's images had brought a new dimension to the usage of their software, more usuelly employed in advertising, and provided e showcase demonstrating that the scope of their technology was limited only by the imagination of the user.

Scotland is also represented in the lihidinous ice-cream brand Haagen Dazs' new arts sponsorship programme, "Dedicated to Pleasure, Dedicated to the Arts". The programme includes the reopening of Edinburgh's Fruitmarket Gallery and the Edinburgh Book and Film Festivals, and also features video at the Tate Liverpool, contemporary sculpture in an 18th century National Trust garden, and an exhibition at Manchester's Cornerhouse.

★

Green sponsorship shoots are also being gohhled up by arts organisations south of the border. Tyne Tees Television has just contributed a substantial £100,000 over four years to tbe Newcastle-based Northern Sinfonia, *strengthening* its existing relationship to the orchestra by becoming a Platinum Corporate Memher of the Northern Sinfonia's new Development Plan.

This goes some way to reassure those concerned about the genuine regional commitment of tbe new TV companies: there is an exact overlap between the home patch of Tyne Tees and the Northern Sinfonia, and it is in both of tbeir interests to present a vibrant cultural and economic image of the Nortb East.

Nortbern Sinfonia will be reinforcing role as the North East's cultural ambassador, expanding tbe orcbestra's activities in tbe community and creating an instrument bank of quality instruments for its young players.

With a similar eye to public perceptions of the private sector, BUPA is to sponsor live music *recitals* in *NHS hospitals*, nursing homes and bospices through the Council for Music in Hospitals, as well as running a series of concerts with high profile musicians in stately homes in order to raise the profile and funds of the Council.

★

Back in London, the British Land Company PLC has put £180,000 towards the Tete's major Ben Nicholson retrospective - the first major Nicholson exhibition since 1969, which will tour to St Etienne and Frankfurt after London. In addition to client entertainment, the sponsor will give shareholders a free ticket to the exhibition and will use images from it in its annual report - designed by another Tate sponsor CDT.

Caroline Kay is a consultant with arts management consultancy AEA.

Birtwistle premières

Distances and Antiphonies

Key aspects of Harrison Birtwistle's music were freshly illuminated at the weekend. Two new works - the first brand-new, the second a deuxième given only a few *days after the world premiere* in Paris - were played in two successive concerts, by the Ensemble InterContemporain at the Purcell Room on Friday, and by tha Philharmonia under Pierre Boulez at tha Festival Hall on Saturday. (The Philharmonia, whose recently-forged Paris connections seem to be resulting in lively new things happening on both sides of the Channel, was patron of both events.)

The opportunity to encounter *Five Distances for Five Wind Instruments* (Friday) and *Antiphonies* for piano and orchestra (Saturday) side hy side was a particular hoon, since the direct result was to forbid easy critical generalisation - always a good thing. Taken on its own, the former work might suggest that Birtwistle's muse has without losing its muscularity become unprecedentedly relaxed, even genial, and able to pack complex ideas into an ever-smaller handful of well-placed notes. Taken likewise, tbe latter would surely prove the converse, that his music has never seemed more massively structured, aggressive in cut and thrust, and difficult to follow from moment to moment.

Together, the two works indicate, rather, that Britain's leading composer of middle years has not lost his immense capacity for adventure and surprise. Also, they demonstrate *Birtwistle's ebiding fascination* with musical visions, multifarious in snbstance howaver diverse in scale, to which the listening "eye" must repeatedly be returned during the course of unfolding for glimpses of the same subject matter from naw vantage points; and, consequently, his unparalleled ability to invent music that sounds at once fiercely new, richly many-layered, and as though it had always been there.

In the wind quintet, it is the differentness of the five instruments, their refusal to blend in the manner of strings, that creates the unfolding drama. Any alliances solidified en route are soon subject to disruption; two or three voices temporarily joining melodically above the critical punctuation Stravinskianly cross-cut) of the others are destined to stray epart, even come to hlows, in ways that define powerful new identities for each component instrument and a powerful new mode of chamber-musical argument.

Eventually, the music seems to peter ont into pacific eccord, except that subversive stutters from the bassoon keep hinting otherwise: a wonderfully robust touch, characteristic of a composer whose attainment of artistic order always involves fierce pbysical confrontation.

The new concertante composition - *emphatically* not a concerto - is much harder to grapple with and assess. As in previous Birtwistle works, setting np a strong solo element within a large-orcbestra context, all notions of "solo" and "orchestra" are inevitably put to the most stringent tests, with violent batteries of percussion and frenzied internal contests of internal groupings as part of the process.

On this occasion, though, I continually lost tonch witb that distinctness of identification, timbral, harmonic, and in terms of tempo, whicb normally guarantees the mounting exhilaration of a new Birtwistle experience. *Antiphonies* - written in memory of Howard Hartog, revered publisher and later artists' agent, and played with formidable brilliance by Joanna McGregor and the Philharmonia - seems the toughest nnt the composer has offered for cracking in many years. More than one go is plainly needed to get at its nourishing centre.

Max Loppert

Philharmonia concert, sponsored by AFG, to be broadcast tonight on Radio 3.

London pub theatre

The Chinese Wolf

Given the temporary closure of the Cate in Notting Hill for refurbishment and modest expansion, the Bush bas become standard bearer of pub theatre in West London. It will be fascinating to see whether it follows the Gate's example and seeks permission (and funds) from *its landlords* for *some improvement* in the premises.

For pub theatre has become something of a paradox. Here are places where we see some of the best directing and acting in London, yet wbere the conditions are distinctly uncomfortable and there is room for an audience of scarcely 100, sometimes mnch less. The Gate and the Bush are by no means tbe only examples. There are others, some of which reacb very high standards, like the Hen and Chickens in Islington and the Etcetera in Camden Town.

Even leaving the physical discomforts asida, a modest expansion of seating capacity could change the economics. The Gate, in particular, has had frequently to turn people away. A rise in box office takings could increase the theatre's freedom to do what it likes and reduce the time spent on fund-raising.

What we don't know, however, is whether expansion and a general improvement of the facilities would spoil the atmosphere which the Gate and the Bush have built up. Maybe the idea of working on a shoestring is crucial to the effect. Certainly watching good work in a cramped space makes you feel literally booked: there is no escape, even if you wished to leave. At its best, this confinement is one the most exhilarating experiences in contemporary theatre.

Such thoughts occurred, not for the first time, at the Bush on Saturday. The performances and the direction are immaculate, but the play is good only in parts. How mucb of the magic is achieved by the special nature of the place?

Here, after all, is Desmond Barrit fresh from his triumphs in The Royal Shakespeare Company's *Comedy of Errors*. Practically the entire cast has had experience of either the RSC or the National Theatre; they have all made frequent appearances on television. The director, Dominic Dromgoole, has been leading the Bush for the last three years, and has a string of successes behind him - probahly ahead as well.

And yet there may be an imbalance. The play is *The Chinese Wolf* by David Ashton, a writer who has had a previous work, *A Bright Light Shining*, at the Bush and has also written extensively for tbe small screen. This latest piece was commissioned by the Bush Theatre.

In many ways it is immensely enjoyable. It would be hard not to admire Barrit's performance as a huge, bullying property developer. There is imagination, too, in the creation of Max, the hunch-back son of an Italian mother by e one night stand with a car salesman. Max, wonderfully played by Ronan Vibert, is left to mind the south London junk yard while his mother is off on a bank holiday jaunt to Brighton and the property developer moves in. There is a lesbian mecbanic from Scotland and a bisexual girl called Claire who sometimes dresses as a nun. Again the performances, by Maureen Beattie and Julia Ford respectively, are impeccable, but merely to describe tbe action suggests that we not watching the best of plays.

Much of *The Chinese Wolf* is derivative and nostalgic: repeated playing of The Platters, including a witty juxtaposition of their two best known songs, Only You and The Great Pretender. Asbton draws beavily on Hollywood westerns, notably High Noon, and on horror movies - hence the title and the idea that there is a chinese wolf ontside the junk yard. He sees additional borrors in Disneyland. It is all great fun while it lasts, though a section on Claire's first orgasm should be cut. But the question remains: is it the place, the directing and the acting that make the play? It is definitely not the other way round. When the Gate reopens in the autumn, we shall learn more about whether pub theatre can keep its spell in less primitive conditions.

Malcolm Rutherford

Bush Theatre, (081) 743 3388

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE

Each of Berlin's three opera houses has just unveiled new productions. Jonathan Miller's staging of Capriccio, conducted by Hartmut Haenchen with Yvonne Kenny as Countess Madeleine, can be seen on Thurs and Sat (also May 19, 29) at **Staatsoper unter den Linden**, where repertory also includes Fidelio, John Cranko's ballet The Taming of the Shrew and a Carl Orff double bill choreographed by Youri Vamos (200 4762). Götz Friedrich's staging of Die Meistersinger von Nürnberg conducted by Rafael Frühbeck de Burgos with a cast led by Wolfgang Brendel and Gösta Winbergh, can be seen on Sun (also May 20) at **Deutsche Oper**, where repertory includes Carmen, Fidelio, Die Zauberflöte and a Christopher Bruce ballet evening. May 26, 27: Mikhail Baryshnikov *Whote Oak Dance Project*. May 28: start of Ring cycle (341 0249). Harry Kupfer's new production of Giulio Cesare, conducted by Richard Hickox, can be seen tonight at Komische Oper, where repertory includes Les Contes d'Hoffmann, Die Zauberflöte and Swan Lake (229 2555)

CONCERTS

Libor Pesek brings the Royal Liverpool Philharmonic Orchestra to the **Schauspielhaus** tonight with a programme of Britten and Mahler. Tomorrow's concert performance of Peter Cornelius' rarely-heard opera Der Cid is conducted by Gustav Kuhn. Thurs, Fri, Sat, next Mon: Uwe Gronostay conducts Berlin Symphony Orchestra and Chorus in Carmina Burana (2090 2156). This week's Berlin Philharmonic Orchestra programme at the **Philharmonie** on Wed and Thurs pairs Berg's Seven Early Songs (Waltraud Meier) with Mahler's Fifth Symphony, conducted by Claudio Abbado (2548 8232). Pierre Boulez conducts concerts at Staatsoper unter den Linden on May 21 and 22 (200 4762)

THEATRE

The second week of Berlin's annual German-language theatre festival features a production from Weimar of Shakespeare's A Midsummer Night's Dream directed by Leander Haussmann (Wed, Thurs, Fri at **Freie Volksbühne** 881 3742), plus Wessis in Weimar, *Rolf Hochhuth's* controversial new play about the tensions of German unification (tomorrow till Sat at Berliner Ensemble 282 3160). For ticket information about other festival performances, call 2548 9254. A new arrangement of Schiller's Don Karlos is in repertory at Schiller Theater (312 6505). *Peter Turrini's* new play Alpenglühen is directed by Alfred Kirchner at Schlosspark Theater, in repertory with plays by Ayckbourn, Dürrenmatt and Ibsen (793 1515). The new Marlene Dietrich musical, starring Jutta Habicht, runs daily except Mon at Theater am Kurfürstendamm (300 6000). Porgy and Bess opens at Theater des Westens on Sat, in a staging by Götz Friedrich (3190 3193)

● Tickets and information for theatre, revues, concerts and nightclub shows available from **City Center Theater und Konzertkasse**, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and **Theaterkasse im Europa-Center** (tel 261 7051 fax 261 9286)

NEW YORK

THEATRE

● Angels in America: Tony Kushner's epic Pulitzer Prize-winning saga, set in 1985 at the height of the Reagan era, about sexual politics, death and decay. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)

● The Who's Tommy: a stunning stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 246 West 44th St, 239 6200)

● Someone Who'll Watch Over Me: Michael York has joined the cast of Frank McGuinness' moving and humorous play about three western hostages in Beirut (Booth, 222 West 45th St, 239 6200)

● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion of three American Jewish sisters in London (Ethel Barrymore, 243 West 47th St, 239 6200)

● Lypsinka! A Day in the Life: John Epperson brings his fabulous lip-synching alter ego to Off Broadway (Cherry Lane, 38 Commerce St, 989 2020)

MUSIC/DANCE

Metropolitan Opera American Ballet Theatre season runs daily except Sun till June 12. This week's programmes include choreographies by Harold Lander, Lar Lubovitch, Glen Tetley and Agnes de Mille (362 6000)

State Theater New York City Ballet's Balanchine Celebration runs daily except Mon till June 27. This week's repertory includes the company's 1948 inaugural programme on Wed and a group of 1954 premieres on Sun afternoon, including Nutcracker Act 2 (870 5570)

Avery Fisher Hall Tomorrow, Thurs, Sat: Colin Davis conducts New York Philharmonic Orchestra in concert performance of Der Freischu tz with Sharon Sweet, Gillian Webster, Thomas Moser and Eikehard Wlaschiha (875 5030)

Carnegie Hall Wed: Alfred Brendel plays four Beethoven piano sonatas. Sat afternoon: James DePriest conducts American Composers Orchestra in works by Piston, Dzubay, Colgrass and Duffy (247 7800)

JAZZ/CABARET

Blue Note Spring Vocal Festival opens tomorrow with Diane Schuur daily till Sun, followed next week by Diane Reeves, plus Nancy Wilson May 25-30. Music at 21.00 and 23.30. Dining (131 West 3rd St, near 6th Ave, 475 8592)

Russian Tea Room For three Monday nights, starting tonight, high-voltage vocalist Julie Budd presents a musical salute to Dorothy Fields. Thurs, Fri, Sat this week and next: Amanda McBroom brings her warmhearted personality to a show called Shoes and Other Songs of Love. Dining (150 West 57th St, 265 0947)

PARIS

DANCE/OPERA

Ballet de l'Opéra de Paris presents a programme of four Roland Petit choreographies at Palais Garnier, starting on Wed and running daily except Sun and next Thurs till May 22 (4742 5371). On Thurs at **Opéra Comique**, Armin Jordan conducts first of eight performances of Jean-Louis Martinoty's production of Ariadne auf Naxos, with a cast led by Karen Huffstodt and Peter Svensson (4286 8883). *Le nozze di Figaro* is revived tonight at **Opéra Bastille** for six performances with a cast led by Hakan Hagegard, in repertory with Andrei Konchalovsky's production of Queen of Spades (4473 1300)

CONCERTS

Russian pianist Lilya Zilberstein gives a recital tonight at **Théâtre de la Ville** (4274 2277). On Wed and Thurs at Salle Pleyel, Semyon Bychkov conducts Orchestre de Paris in Mozart's Piano Concerto No 24 (Radu Lupu) and Mahler's Fifth Symphony. Also at Salle Pleyel, Claudio Scimone conducts I Solisti Veneti in works by Rossini, Tartini and Vivaldi on Fri, and Hiroyuki Iwaki conducts Orchestre National de l'Ile de France on Sat in works by Beethoven, Schumann and Bartok, with piano soloist Jean-Marc Luisada (4563 0796). Jerzy Semkow conducts Orchestre National de France on Thurs at **Théâtre des Champs-Elyseés** in a programme featuring Peter Donohoe as soloist in Beethoven's Fifth Piano Concerto (4720 3637)

JAZZ/CABARET

American gospel singer Tramaine Hawkins, famed for her 1979 rendering of Oh Happy Day, is in residence this week at Lionel Hampton Jazz Club, music from 22.30 daily till Sat. Next week: blues vocalist *Bill Wharton and group* (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

● The Taming of the Shrew: Jerome Savary's Shakespeare production starring Jacques Weber and Christine Boisson. Daily except Sat, Sun and Mon till June 26 (Theatre national de Chaillot 4727 8115)

● Andromaque: Racine's classical tragedy is part of a season of plays directed by Daniel Mesguich. Daily till May 19 (Maison des Arts, Creteil 4980 1888)

● L'Homme qui: Peter Brook's latest theatre piece, based on neurologist Oliver Sacks' book The Man Who Mistook His Wife For A Hat. Daily except Sun and Mon till May 25 (Bouffes du Nord 4607 3450)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

Enropean Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Arts Guide

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

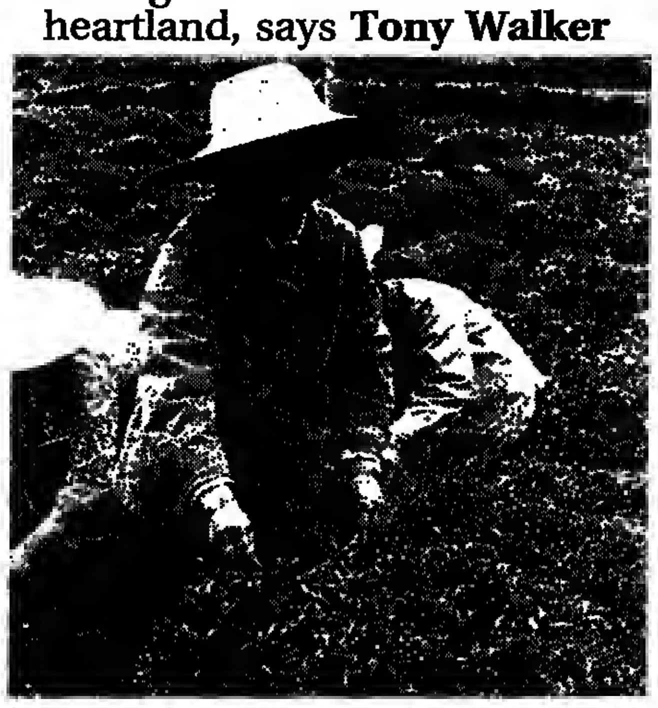
Wednesday: France, Germany, Scandanavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

Fields of frustration

China's economic miracle is fuelling an exodus from its rural heartland, says **Tony Walker**



Farmyard blues: peasants are seeking a better life in urban areas

"It's just not worthwhile ploughing the fields any more," says Yan, a peasant farmer from Sichuan province in China's centre-west. "We've got enough to eat at home, but no money to spend, so people are leaving their villages to find work. In our village, there are only kids and old people left."

Dressed in ragged clothes and obliged to sleep on the ground in Beijing's overcrowded railway station, Yan and his colleagues are part of a vast, surging army that involves what may well prove one of the greatest population shifts in history. The peasant exodus – according to official statistics at least 15m have deserted the land for the cities since the late 1980s – is sounding alarm bells, perhaps belatedly, in Beijing. For it reflects not only a desire by impoverished peasants to share the fruits of China's rapid economic expansion. It also reveals deepening disillusionment among the country's 900m farmers and their families over the slim benefits of toiling in the fields.

Official statistics reveal that peasant per capita net income is Yn770 ($135) a year. This represents less than half that of urban dwellers. Agricultural production is also flagging compared with industrial output. Growth in 1992 reached just 3 per cent against 19 per cent for industrial production.

The bleak outlook for peasant farmers, dependant on tiny plots of land, is the other side of the coin of China's economic "miracle", based as it is on the success of new industrial enterprises in coastal regions fuelled partly by investment from abroad. This marks a sharp reversal from the beginning of China's economic reforms in the early 1980s when agriculture led the way and peasant farmers were held up as models of entrepreneurial achievement.

Officials in Beijing say that after internal Chinese travel restrictions were relaxed it was inevitable that farmers would drift away from their villages towards areas where economic rewards might be higher, such as China's larger cities and coastal regions.

The number of people affected by this economic shift is staggering. Mr Yi Yan Li, a specialist in migrant labour at the Agriculture ministry, estimates that among China's 400m peasant labourers, about 160m are surplus to requirements. "These numbers," he said "are equivalent to the population of a big country."

About 100m peasants have been absorbed in the past 10 years into township and village enterprises that have mushroomed all over China, but this still leaves a vast pool of under-utilised farm labourers which Mr Li described as a "severe problem."

If the authorities cannot persuade people to stay down on the farm, or at least in nearby towns and villages, then problems of urban overcrowding – and the associated danger of heightened political unrest – might become overwhelming. Increasingly dissatisfied with their lot as the gap in incomes between city and country dwellers becomes ever wider, peasants have begun assailing local tax-collecting officials, sometimes violently.

Authorities are especially worried about another consequence of the migration of peasants to urban areas – it has weakened the ability of officials to enforce family planning controls.

In an effort to bolster birth control efforts, an additional 15,000 family planning associations have been established, but these organisations have proved intrusive and unpopular.

Sharpening the focus of peasant discontent over the past year or so has been the sometimes protracted delays by local authorities in redeeming "IOUs", or promissory notes, to farmers obliged to sell a proportion of their grain to the state. Peasant anger goaded the central government into bringing heavy pressure to bear on local officials to honour obligations. Although Beijing must share responsibility since it has been slow to transfer funds.

At the recent session of the National People's Congress, the Chinese parliament, leaders were taken to task in private discussions over the dangers of neglecting the "farm sector". Wan Li, one of China's eight "immortal" leaders – the surviving Long March veterans in the leadership – is said to have assailed Premier Li Peng over "lukewarm" references to agriculture in his "work report" to the Congress.

Mr Wan reportedly summoned the ghosts of leaders of peasant revolts in China's history to remind Mr Li of the dangers of neglecting more than 80 per cent of China's 1.1bn people. He is also said to have pointed out to his listeners the vital importance of peasant support to the success of the communist revolution.

In his parliamentary address, Mr Li admitted that agriculture, which he described as the "foundation of our economy", was "relatively weak", and noted that peasant incomes had risen slowly and their financial burden has been "too heavy". This was a reference to taxes which are not meant to exceed 5 per cent of net income and other local levies. Peasants are said to be paying on average about 10 per cent of their meagre earnings in taxes and levies. Costs of farm supplies such as fertilisers have also shot up recently as China has begun phasing out subsidies.

China's budget this year provides for a 9.3 per cent increase in investment in agriculture to Yn42bn, but few believe that this will do much to redress a growing imbalance between the agricultural sector and industry. According to government figures, agriculture's share of gross national product slid from 33.7 per cent in 1978, when the so-called open-door reforms began, to 22.1 per cent in 1991.

Recent forecasts of grain output have also painted a fairly gloomy picture when taken together with alarming reports of the "loss" of at least 1.6m hectares of invaluable farmland to industrial parks and development zones.

The official China Daily newspaper commented recently that grain production is likely to drop in coming years due to "shrinking arable land and deflated enthusiasm among farmers". Output this year is forecast to be 442.5m tonnes, roughly the same as last year. A target of 475m tonnes in 1997, outlined by Premier Li in March, is regarded as unrealistic, given problems of morale among farmers and slender rewards available from grain production on small plots of land.

The authorities have been slow to recognise the dangers posed by deteriorating morale in the countryside, coupled with problems caused by the peasant exodus to the cities. There is little sign officials have worked out how to deal with the challenge, beyond expressions of concern. As the income gap between country and city, rich and poor, continues to widen tensions will certainly not diminish.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Folly of pouring £800m into 'black hole' of EC agriculture

From Mr Terry Wynn MEP.

Sir, With reference to your leader "Fraud in the EC" (May 5), the UK presidency in reaching agreement at the Edinburgh summit last December on the future financing of the EC, clearly did not help taxpayers by agreeing that agricultural spending could be bailed out by an extra £800m. The chickens are now coming home to roost.

This week the Commission presented its preliminary draft budget for the EC for 1994. A monetary reserve of Ecu1bn exists in the EC's budget but it has only ever been used twice in the past. On those occasions the absolute ceiling fixed for agricultural spending (the guideline) was not exceeded solely to dollar/Ecu fluctuations.

Now the financial regulation is to be altered to allow for European Monetary System fluctuations – this has never been the case in the past. It is already predicted that this will exceed the agricultural guideline by Ecu1.3bn in 1994. With creative accounting and good luck the Commission will be expected to get this down to an Ecu1bn overspend by use of the reserve.

It does seem worth asking whether the UK is satisfied that a further £800m should be poured into this black hole of agricultural spending when fraud in the existing system is so widespread and when other issues such as job creation are paramount.

Terry Wynn,
general rapporteur for the 1994 EC budget,
105 Corporation Street,
St Helens,
Merseyside

Business history for managers

From Ms Mary B Rose.

Sir, Arnold Kransdorff ("Teaching the history of business", May 1) suggested that putting business history on the school curriculum would encourage a "cultural revolution" which would transform British business prospects. He did not explain how this would be achieved.

The neglect of business history in Britain's management schools is far more important. Internationally comparative business history demonstrates there is no magic formula to ensure competitive advantage. Instead, it shows the need for flexibility in business and the importance of tailoring strategy and structure to accommodate the ever-changing characteristics of particular societies and markets.

By allowing a dynamic analysis of strategy, the study of business history can provide a valuable extra dimension to management training. The teaching of business history in British management schools would generate a real gain for management education rather than the decidedly dubious benefit of a so-called "business culture" in schools.

Mary B Rose,
Department of Economics,
The Management School,
Lancaster University,
Lancaster LA1 4YX

Guild mentality of doctors and cabbies

From Mr Bernard Heymann.

Sir, I would like to congratulate Dominic Lawson on his piece highlighting the "guild mentality" of the medical profession ("Doctors: a life-threatening problem", May 1.)

I cannot help feeling, however, that he is fighting a lost cause. Everyone needs to consult a doctor at some point and this inhibits politicians from taking a radical decision. The doctors defeated the government in 1948 and have continued to do so, in one way or another, since then.

More immediately it will be interesting to see whether the government will be able to modify the regulations requiring mini-cabs to be registered. Like the doctors, the black cab mafia are using their monopoly position to prevent anything that vaguely threatens them. After all, virtually every member of parliament uses taxis!

Bernard Heymann,
London EC1R 0HH

Fossil fuel levy should not be replaced by VAT

From Mr B C Bateman.

Sir, David Newbery makes two rash assertions in an otherwise excellent commentary on the workings of the electricity supply industry and the Fossil Fuel Levy ("Fossil fuel levy fails efficiency test", May 6.)

The first is to say that "the obvious solution is to replace the FFL with VAT." Why? The construction of nuclear power stations was a strategic decision concerning the diversity of supply and it was reaffirmed by successive governments. It was therefore not a mistake. If this decision now requires revenue to support it then surely this should be raised through the general burden of taxation rather than falling on the hapless purchaser of electricity.

This leads to his second assertion: that lower product prices would result from a switch to VAT on electricity. This is unlikely to happen in tha present circumstances with margins tight or non-existent, and UK manufacturers paying more for their electricity than those of any other EC country except Germany and Italy. The more likely prospect is that manufacturers would give a huge sigh of relief as an uncompetitive cost component was removed. In short the saving would not be passed on.

The FFL is a device to raise (not recover) revenue. It is manifestly wrong and as David Newbery remarks, a distortion; industry would be well rid of it. Unfortunately, to remove its effect to taxation would tend to attack one of the government's sacred cows of not appearing to raise taxes and is therefore not politically correct.

B C Bateman,
director,
business and environment,
British Paper and Board Industry Federation,
Papermakers House,
Rivenhall Road,
Swindon SN5 7BD

Software etc

From Mr M J Lever.

Sir, Good news that Books etc are giving refunds on unreadable books. If only computer software dealers and suppliers were to copy their lead, life would be wonderful.

M J Lever,
London NW9

The pricing of CDs in the US and the UK

From Mr Rupert Perry.

Sir, Your editorial "Bulky prices for compact discs" (May 4) rontains a number of factual inaccuracies concerning the pricing of CDs in the US and UK. In this, sadly, it is characteristic of the entire debate around the value of music that has been condncted in the wake of the select committee on national heritage.

You assert that prices in Europe are about 40 per cent higher than in North America. Top line CDs commonly retail in the US at $14.99, and in the UK at £11.99. Commentators typically fail to allow for the presence of VAT in the UK figure and the exclusion of sales tax in the US, 12 per cent currently in New York state. Even at these prices (many CDs in Britain are priced at £9.99) the price differential between the US and UK works out at approximately 11 per cent, not 40 per cent.

You write that the industry's argument that the cost of supplying CDs in the UK is higher than in the US "does not ring true". However, the economies of scale in North America mean that virtually all consumer goods are cheaper in the US because their distribution costs and their development costs can be spread over a market five times the size of the UK. Clothes, food, cars, petrol, cosmetics and books all fall into this category. It costs EMI two-thirds less to manufacture CDs in the US than in the UK precisely because of these volume efficiencies.

Moreover, the largest retailing chains in the US maintain a smaller market share than do the largest retailers in Europe.

In the UK, the WH Smith Group, Woolworth and HMV combined have a market share of well over 50 per cent. By comparison, the top 10 music retailers in the US have only a 32 per cent market share. As a result, US music retailers' gross margins average around 24 per cent as against a UK figure of 33 per cent.

You criticise copyright law for maintaining "wide differentials in wholesale prices between the US and the UK which are then reflected in retail prices". The wholesale price differentials are small, and are augmented (rather than reflected) at retail because of larger retail margins in the UK. The right granted to copyright owners to restrict parallel imports is only one of the vital rights granted by UK legislation. It is not a right granted to record companies alone, but also protects artists, composers and music publishers within the music industry, and extends to protect rights owners in other businesses such as book publishing, computer software and pharmaceuticals. All of these businesses invest in the UK and need to secure a return on that investment from UK sales. The desirability of this right in encouraging creativity and risk-taking is recognised not only in the UK hut also in many other countries including the USA, Canada and Germany.

The Australian authorities, which last year recommended the withdrawal of the parallel importation right in 1994, are now reconsidering their position because recent exchange rate charges have eroded the price differential between Australian records and those in certain foreign markets. Exchange rate fluctuations, resulting from government actions and the machinations of the money markets, are perhaps the key determinants of relative prices.

Profit is not a dirty word; the £2 off the price of CDs advocated by WH Smith would certainly make it a rare one. The last comprehensive survey of the UK record industry was carried out by Coopers & Lybrand and covered 1990. It showed that the average return on sales of British record companies, big and small, was approximately 5 per cent. Acting upon WH Smith's recommendations would plunge most of these record businesses into loss at a stroke, at no cost to WH Smith and its fellow retailers who would retain their margins and expect higher volume.

Consumers will not, even in the medium term, benefit from such action. Through the continual pursuing of a policy of price reductions, the American record industry typically operates on wafer-thin margins. The consumer in America has predictably suffered as cost pressures have forced the American industry to reduce their investment in artists and in genres of music.

Attempting to understand the complexities of the British record industry and its value to our cultural life and economy has not been placed at a premium throughout this current debate on CD pricing. Let us hope that the select committee and the Office of Fair Trading will study the facts before the rhetoric.

I am mindful of the prime minister's recent exhortations to business people, when he urged them "to keep on exporting and we'll keep on supporting". The British music industry is the third largest earner of invisible exports for this country, and with the support of the government, EMI and other record companies intend to improve upon their already impressive drive for exports.

Rupert Perry,
president and CEO,
EMI Records Group,
20 Manchester Square,
London W1A 1ES

From Ms Lisa Gordon.

Sir, Your leader on compact disc prices proposes amendments to the Copyright Act to allow parallel importation as a means of controlling the price of CDs in the UK. This proposal fails on at least two grounds of practicality and displays inadequate comprehension of copyright law.

Parallel importation traditionally refers to articles lawfully made in the country of origin. However, what, say of Belgium or Poland, where copies of foreign sound recordings can be lawfully made without the permission of the original producers: are these to be excluded from the UK? If so, how can the copyright law distinguish between different categories of lawfully made product?

Further, if, as your article suggests, the removal of copyright import controls has o direct effect on pricing, why is it that domestic CD prices in Japan, where no copyright import controls are possible, are among the highest, while in the US, where prices are constantly cited as among the lowest, the copyright law provides full control over parallel importation? The link between parallel importation and pricing is far more complex than this superficial proposal suggests, as I believe Australian consumers will soon discover.

Lisa Gordon,
director of communications,
International Federation of the Phonographic Industry,
54 Regent Street,
London W1R 5PJ

From Ms Alison Wenham.

Sir, In your editorial on compact disc pricing, you recommend that the competition authorities follow the lead set by Australia, which has concluded that a ban on parallel imports is against the public interest. As tha managing director of an independent record company I know that consumers will stand to gain little from such a measure when it comes into force next year and that the Australian record industry, particularly the smaller independent companies, stand to lose much.

The prohibition of parallel imports keeps the record industries of the world in balance and is practised by all the major music producing countries, including the USA, Canada, Germany, Italy and Spain. Its purpose is to stop domestic markets being flooded by cheap imports that attack the ability of the indigenous record industries to produce a wide variety of product for the home market. The USA, just as much as smaller territories, have very severe and rigorously enforced regulations covering foreign imports. Only last year copies of U2's *Achtung Baby* were turned away at the American border because they were not of American manufacture.

While the US authorities have no intention of abolishing their own restrictions – and they don't – it would be disastrous to dispense with our own.

At present, record companies grant licenses covering the use of their rights to foreign companies on a territory-by-territory basis and artists are sometimes signed to different labels in different territories. The absence of import controls in the UK alone handicaps British record companies in their own domestic market, while their competitors continne to enjoy full protection.

The first to suffer will be the independents, both record companies and retailers. Cheap overseas recordings will push the companies out of business, while retailers without American operations through which they can purchase and re-route stock – all but HMV and WH Smith – will be severely disadvantaged.

Import controls are fundamental to the exploitation of intellectual property rights in music. Their abolition here would deprive the UK of the creative and independent seedbed from which the British record industry has, up till now, flourished.

Alison Wenham,
managing director,
Conifer Records,
Horton Road,
West Drayton, UB7 8JL

From Mr John Deacon.

Sir, I am sorry to see that in the case of the music business you do not exercise the same rigour as you do in your analyses of other sectors.

CD prices are not 40 per cent higher in Europe than in the US. Even if there was any relevance in making comparisons based on exchange rates, the figure would be around 10-15 per cent. Contrary to your assertion, there are very good reasons for this. Cultural products are not like soap powder and selling music into 15 different countries with 15 different languages requires a fresh approach to packaging and marketing, and higher costs in each territory. In the US, any record, American or not, is marketed over an area five times the size of the UK with one coherent campaign. The potential for costs savings is clear.

The British record industry has always budgeted on the basis of UK sales alone and then entered into licensing agreements with foreign record companies for export. Even if we wanted to export directly to the US we could not – their very high import taxes mean it is not feasible, a situation your advocacy of the abolition of import controls in the other direction, into Britain, fails to take into account.

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FINANCIAL TIMES

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Taking chances for peace

While the attention of the US and Europe is focused on the former states of Yugoslavia and the Soviet Union, the Middle East peace process is suffering. Eighteen months after the inaugural meeting in Madrid, the five teams of negotiators have yet to report progress on any matters of substance, no sense of momentum has developed, and the enemies of compromise are gaining strength.

Optimism stems mainly from the fact that talks are continuing, and no participant wishes to bear the responsibility for ending the process. But there is increasing recognition among the Arab delegations and among US officials that domestic pressures on the participants could eventually impose a breaking point. This is particularly the case for the Palestinians. Whatever misjudgements and lost opportunities can be blamed on them in the past, they have come to the negotiating table essentially as supplicants.

Much of what was demanded of the Palestine Liberation Organisation by the international community has been conceded. Mr Yassir Arafat is a pale shadow of the man who once ruled part of Lebanon and dreamed of the military liberation of Palestine. Syria has retained more of its political clothing, but it, too, has been forced to accept that it will only regain the Golan Heights, which it lost in 1967, by negotiating a full peace with Israel. Jordan and Lebanon acknowledge that their outstanding issues with Israel can only be resolved in the context of an agreement between Israel, the Syrians and the Palestinians.

Take the risks

It is understandably difficult for Israel to adjust to the enormity of those changes, precisely because it is the Jewish state which has to take the risks involved in testing the sincerity of its Arab neighbours. It is tempting for a cautious political leadership to conclude that the diminution of the military threat to Israel allows it to be less forthcoming at the negotiating table. That certainly was the view of the last Likud government under Mr Yitzhak Shamir. Mr Yitzhak Rabin, his Labour successor as prime minister, appeared to promise much more. He campaigned on the pledge to secure an interim agreement with the Palestinians within nine months and his senior colleagues stressed their willingness to withdraw from Gaza, most of the West Bank and most, possibly all, of Golan.

Under occupation

The collapse of Mr Rabin's timetable can be explained by his excessive caution, the limitations of coalition government, and the obvious fact that the peace process does not exist in a Washington vacuum. The Palestinian negotiators and their families live under occupation. Their legitimacy as leaders rests on their ability to ease living conditions in the territories, and in moving towards Palestinian self-determination. This has so far been denied to them in negotiations giving their radical opponents, essentially Hamas and Islamic Jihad, the chance to sat the political agenda.

Mr Rabin's expulsion of over 400 Palestinians and the more recent closure of the occupied territories, which has cost 100,000 people the opportunity to work, were radical responses to Israeli public concern over worsening violence. But the impact of those actions was also to intensify unrest within the territories, boost the standing of Hamas and Islamic Jihad, and make it extremely difficult for the Palestinian negotiators to return to Washington.

It has to be in the long-term interests of Israel and the moderate Palestinian majority to reverse this trend as quickly as possible. Israel's decision to permit the return of 30 Palestinians expelled before 1987 is a step in the right direction. Easing restrictions on the West Bank and Gaza would further help. But there is no substitute for offering the Palestinians a great deal more than the chance to carry out some administrative functions under the existing regulations affecting the occupied territories. By refusing to make any offer which might be interpreted as opening the door to an independent state, Israel is limiting the scope of negotiations to the point where even the most moderate Palestinians could find it impossible to continue. If Mr Rabin is really serious about taking chances for peace, the moment to demonstrate it is now.

Tecs in a tangle

MINISTERS should look hard at the FT's survey of Training and Enterprise Council directors, published today. It shows that these 1,220 individuals are committed to their task, generally satisfied with the progress of their organisations, but unhappy about the Tecs' relationship with government and in a fearful muddle about priorities.

These findings are not difficult to explain. When it started setting up the Tecs three years ago, the government's official prospectus defined their task as "to reskill the workforce and stimulate business growth."

It said the weighty task of running existing government programmes for the unemployed and young people would be "a foundation" from which local leaders would "assess economic and social needs, set priorities for action and direct resources accordingly." This was the pitch that attracted an impressive crop of business leaders across the country to serve on Tec boards, alongside officials from the public sector and trades unionists.

The reality has been that the Tecs have struggled to run these schemes, at a time of rising unemployment and constrained public spending. They have felt hemmed in, overburdened and subject to stifling bureaucratic oversight.

This is why over 80 per cent of Tec directors say that their top priority is either local economic regeneration or in-company training rather than running the schemes.

Denied freedom

Two striking ironies occur. The first is that of the Tecs' budget this year of £2.3bn, £1.8bn will go on these programmes. The Tecs are thus being paid huge sums of money to do a task they do not much rate, while being denied freedom and funds to get on with the things their leaders think are most important.

The second irony is that much to the Tecs' irritation, the government continues to encourage a proliferation of other types of agencies to stimulate economic regeneration. Two have been formed in London in the last six months, even though the capital has no fewer than nine Tecs.

It is not that the Tecs' grumbles should all be taken at face value. Many of them have struggled to achieve acceptable levels of performance, although without published audits on individual Tecs it is difficult to gauge the scale of this problem. But there is a desperate need for some clear and co-ordinated thinking by government.

Compound the muddle

These are some of the questions ministers need to address:

1. How can responsibility for business advice, inward investment and local economic regeneration be rationalised at the local level? Mr Michael Heseltine's programme of one-stop shops will, on present plans, take years to implement.

2. How can Whitehall better co-ordinate its own efforts on training? Divisions between the departments of education, employment and trade and industry continue to compound the muddle and to make government a weak advocate for "partnership" among competing local interests? It is notable that this problem is much less serious in Scotland, where the Scottish Office provides the necessary co-ordination.

3. What is to be done about the evident need (also highlighted in the survey) for greater national co-ordination of the Tecs' views and objectives? There is still a woeful inability at the national level to measure Britain's skills gaps and to plan to fill them.

4. Are Tecs, as currently constituted, the right bodies to run training schemes for the unemployed?

At their best, the Tecs are emerging as dynamic local agencies, fostering the partnership upon which government rightly sets much store. But there is now a serious danger that having engaged the interest of business leaders, government is failing to follow through.

It was an insight of the Thatcher years that government should not try to do business's job. There is currently a risk that the opposite fallacy will become entrenched – that business is able to do the government's job. If the government does not recognise its responsibilities, the still tender plant of the Tecs will run to seed.

Lifting the lid on liberalisation

Andrew Adonis and **Andrew Hill** examine European Commission plans to open up the telecommunications market

When European Community telecommunications ministers sit down today in Brussels for their first discussion of plans to open all EC telephone calls to competition, they will agree on one thing: liberalisation of the Ecu110bn (£87bn) market for telecoms services is inevitable.

Technological advances, pressure from powerful non-EC operators, the advent of the single market, the influence of privatisation and other measures to distance telecoms monopolies from governments are making the process virtually irresistible.

Acceptance of the goal of liberalisation is already a great change of heart for many governments and state telecoms monopolies, nervous about the destabilising forces such a move might unleash.

Only two years ago, France, Belgium, Spain and Italy were mounting unsuccessful challenges to the Commission's powers to liberalise the markets for telecoms equipment and specialised services in the European Court of Justice. Mr Michel Carpentier, head of the Commission's telecoms directorate, says even those early achievements would have been inconceivable when he took over the department in 1983.

Now, those same countries are looking sympathetically at a Commission plan which would allow private operators – including non-EC operators, provided they open their own markets to competition – to compete within EC states on equal terms with the former telecoms monopolies.

Although the goal of open competition is all but agreed, the path ahead is littered with obstacles. As Mr Carpentier says: "I don't know a member state or an operator which has said we shouldn't liberalise. The question is when, and how."

For the Commission, the answer to the first part of the question is relatively simple: January 1 1998. That is the date set in its recent communication to telecoms ministers for full liberalisation of all telecoms services, including international and domestic telephone calls. Talks with 130 companies, regulators, national governments and users convinced the Commission that an intermediate step – opening all EC cross-border calls to competition – would be superfluous.

Instead, over the next three years the Commission wants to:

- accelerate adoption of existing technical proposals, which would liberalise satellite communications and lay the groundwork for licensing and granting fair access to new telecoms operators;
- study how alternative networks, such as cable television, railways, or electricity grids, could be used for telecoms services;
- study the thorny issue of allowing companies to establish their own networks to compete with the existing infrastructure.

These measures should open the way, over the following two years, for the Commission to press for full liberalisation of the market for "voice" traffic using existing infrastructure.

Further liberalisation would then depend on the outcome of the Commission's studies, but rapid expansion and diversification of the telecoms market will provide a momentum of its own. A recent survey of the industry by Daiwa Institute of Research predicted that telecoms would be "Europe's fastest growing major industry in the 1990s", with annual growth averaging 8.5 per cent and the sector constituting 4.5 per cent of gross domestic product by 2000 – twice the 1991 figure.

It is too early for a stand-off over the proposals in today's council. But when the scrapping begins, as it is bound to, the UK will be the most pro-liberal party, gleaning some support from Denmark and the Netherlands. The Danes, who should begin to liberalise their telecoms services next year and hold the EC's presidency until July, are keen to push the legislative process along. They have already scheduled a second meeting of telecoms ministers for June 16, at which they hope a formal resolution can be adopted backing the Commission's framework plans.

France, Belgium and Germany are more cautious and will undoubtedly voice fears that the Commission is moving too fast. For these more sceptical governments, the priority is to implement existing legislation which lays the foundation for further liberalisation.

As one French official says: "Liberalise, yes, but only on condition that it benefits the European operators. If we go too quickly, it isn't European operators who will draw the advantages but private outsiders such as AT&T [of the US]."

Mr Karel Van Miert, the Belgian socialist in charge of competition at the Commission, and Mr Martin Bangemann, the industry commissioner, are anxious to avoid being labelled uncompromising liberals, sacrificing standards and financial stability to the free market. They will urge telecoms ministers to make the safeguarding of a reliable and affordable universal service a prerequisite for liberalisation; and they will propose that countries with less daveloped networks get an extra two years at least to catch up with their wealthier partners. That concession will be welcomed by the poorer member states, which stand to gain from EC funding to upgrade their telephone networks.

Mr Carpentier regards the Commission's 1998 timetable as ambitious, noting that five years is "not long" for state telecoms companies to adjust; but he sees the Commission's proposals as at least a signal of what could be done if operators, users and governments co-operate. "The machine has been started up and it's started under the best conditions because the consultations have produced a great political and technical consensus."

The main worry of the state-owned operators is that even if they are ready to face fiercer competition from 1998, they will not be adequately compensated, through charges for access to their public networks, for having to maintain a service for all comers.

Deutsche Telekom, for example, is committed to completing a DM60bn (£24.3bn) programme of infrastructure investment in eastern Germany over the next four years. It believes early competition on international and long-distance calls could undermine the traditional cross-subsidisation of local calls.

France Telecom, in spite of its own lead in the liberalisation of specialised services, argues that the public operators must be given sufficient time to adapt their tariff structures to the rigours of a free market, and be able to fix realistic access charges.

British Telecom and Cable and Wireless, the UK's leading operators, are the most ardent advocates of liberalisation among EC operators. They criticise the Commission for timidity: in particular, they want to see competition extended from voice traffic to infrastructure, enhancing the capacity of companies to compete on service range and quality.

Mr Iain Vallance, BT chairman, says: "Telecommunications monopolies are a *dangerous anachronism* in the fast-moving and increasingly world-scale markets of the 1990s. Urgent remedial action is required."

BT's stance is a marriage of consumer and self-interest. A decade after privatisation, the UK company is no stranger to the market, or to regulators seeking to mimic market pressures.

Oftel, Britain's telecoms watchdog, is the UK's prototype independent utility regulator, assertive from the outset; while Cable and Wireless, a long-time international operator licensed in 1984 to compete against BT at home, swiftly established Mercury in the UK business market. It now claims a 10 per cent share of the business and residential market, combined with a network able to reach most of the country. Hard on its heels are cable TV companies offering local data and telephony services. Barely a year after the cable companies entered the field, 30 suppliers have nearly 150,000 lines installed between them.

Although the goal of open competition in Europe is all but agreed, the path ahead is littered with obstacles

Following liberalisation, BT is confident it could win market share from its European counterparts. But it is not only targetting their *existing* business. It has ambitious plans to use leased lines, new technology and its own network to make itself a leader in "global outsourcing" – offering international companies "one-stop" contracts for phone, data, maintenance and other value-added network services. BT has a fledgling network management company, Syncordia, and is battling with AT&T for direct access to the US public network.

The UK's experience begs the question: does privatisation – or, at least, the conversion of telecoms companies to autonomous entities within the state structure – itself act as a motor for liberalisation?

The question is pertinent, for the demise of Europe's old-style, state-run posts and telecoms operators (PTOs) is nigh. Just four years ago almost all Europe's PTOs were run by government departments, their operations and finances under *direct ministerial supervision*. Since then, most have been – or are being – converted into state-owned limited companies. Pressure for full privatisation is mounting.

Political economists generally regard the two as linked. Once governments stop treating PTOs as pots of gold and start putting their managers at arm's length, goes the argument, they more readily perceive the wider benefits of competition.

The Spanish case – where privately-owned Talafonica has retained a monopoly over basic voice services – does not easily fit this mould. But other recent experience tends to do so. Not just in Britain and the US; radical changes currently under way in Finland also show liberalisation going hand in hand with a determined loosening of government ties. Since Finland's reforms could result in Europe's most competitive market in fixed-line "voice" services, they will be followed closely in the EC.

Six years ago the Finnish government separated the regulatory and operational functions of its communications ministry and liberalised the equipment and value-added sectors of its telecoms industry. In 1990, the country's PTO was turned into a "stata enterprise", its finances separated from the state budget. Legislation is now before the Finnish parliament to convert the PTO into a limited company. Initially it will be wholly state-owned, but privatisation is likely before long.

From next January, Finland will have a fully functioning duopoly in local and trunk calls. Its 49 private regional companies, which service local calls for about two-thirds of Finnish subscribers, have formed a single company which has been licensed to compete with Telecom Finland (TF) on trunk routes on its own network. Last week it applied to compete on international calls too.

For its part, TF has been licensed to compete on local calls throughout the country. To reduce cross-subsidisation, it is likely for the first time to start adjusting tariffs between regions to reflect costs, as do the private operators at the moment.

Is that politically controversial? (The Commission's communication, note, talks of "special arrangements and transitional periods for the peripheral regions and countries with small and less developed networks"). "Tha government has taken the risk, and they will have to provide subsidies if they are unhappy – we are not going to do so," says Mr Mikko Pirinen, TF's consumer services director.

The past three years have also seen TF expand overseas in unprecedented fashion. It is part of a consortium to establish a new fixed network for Estonia, and is engaged in numerous joint ventures in other Baltic states and north-western Russia.

Such cross-border activity will flourish across Europe as privatisation advances. Since most governments remain opposed to their telecoms companies falling into foreign hands, it will mainly take the form of partnerships and joint ventures. The Greek government, for instance, is keen to sell up to 49 per cent of its state telecom company's equity, most of it to an overseas operator prepared to provide management skills and substantial investment.

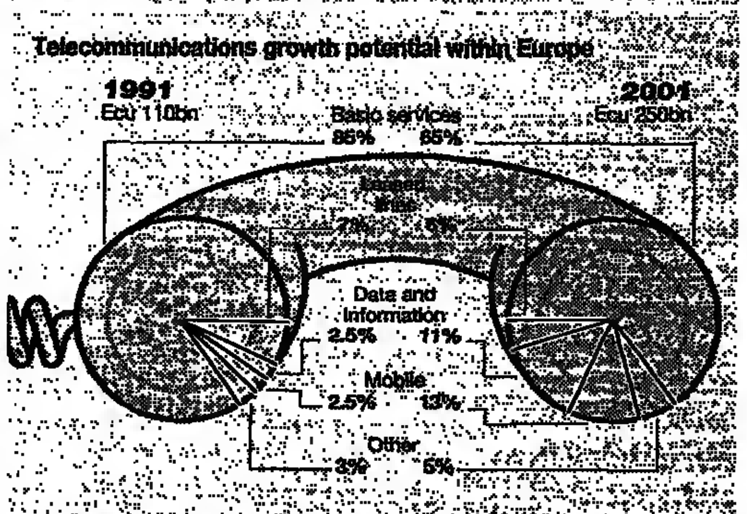
There and elsewhere, even in rich states such as Germany, the need for investment is the motor behind privatisation. It is already happening in the Asia Pacific region, where Salomon brothers estimate that companies with a total capitalisation in excess of $50bn (£33bn) are likely to seek equity flotations within the next three years, initially yielding more than £10bn (£6.6bn) in new investment.

Analysts talk of a telecoms industry by 2,000 in which five or so "super carriers" provide network management for global business, with fierce competition, especially in the local loop, between mobile, fixed-wire and cable carriers.

Sir John Hicks, the Nobel economics laureata, famously remarked that the greatest monopoly profit is the quiet life. For Europe's telecoms monopolists, there will be no more peace.

Dial 'C' for competition

Telecommunications growth potential within Europe



EC/Scandinavian telecoms operators

Quoted companies	State-owned corporations	Autonomous entities within state structure
UK	Sweden (from July 93)	Germany
Spain	Denmark	Belgium
Italy	Greece	France
	Ireland	Luxembourg
	Holland	Norway
	Finland*	
	Portugal	

*Controlling stake held by govt. Legislation planned to change status

Telecoms competition: progress compared

	1993*: % of revenues exposed to competition	1993*: Share held by competitors	1997*: % of revenues exposed to competition	1997*: Share held by competitors (all services)
UK (BT)	100	10%	100	22%
Germany	6-8	negl.	30	3%
France	6-8	negl.	30	4%
Belgium	6-8	negl.	30	1%
Sweden	80	5%	100	20%
Japan (KDD)	100	17%	100	25%
Japan (NTT)	50	7%	50	15%
US (AT&T long distance)	100	38%	100	45%

*Best estimate

Source: Daiwa

OBSERVER

Sweet song of success

■ However many British companies as well as voters look back in anger on what may ere long come to be known as "the Lamont years", there is one enterprise that can celebrate them with a chorus of *Je ne regrette rien* not only heart-felt but melodious.

Moreover the outfit's progress stirs modest pride in the breast of Observer, who first introduced it to the broader public just three weeks after Norman Lamont's installation as chancellor of the exchequer in November 1990.

Called The New Company, it is admittedly unusual in that its members aren't in it for the money, all earning their living in various ways elsewhere. Their corporate interest lies in being amateur singers of such high ability as to be sought after to perform with professional orchestras.

The reason for the company's existence is that – perhaps reflecting the present government's relationship with the electorate – professional conductors do not always treat their volunteer singers in a way they find acceptable. Hence half a dozen of them formed a self-managed choir, hoping to give top amateurs a stronger voice in deciding with whom, and in what, they performed.

Far from leaving the company chanting *Buddy can you spare a dime?*, the revolt has led to increasing demand culminating in in a booking for a Promenade Concert on September 9, in which the founder directors will be joined by some 45 other part-timers on their books.

Whether Lamont will by then feel like singing along with them is doubtful. They're performing Schiller's *Ode to Joy* in the last movement of Beethoven's Ninth.

Scarlet idol

■ While it is a long time since Beijing's Temple of Heaven was the scene of Chinese Emperors' harvest prayers, the shrine has suddenly become the centre of envious speculation. Citizens are agog to learn which of their present leaders will be the first to bow down there before one of the prime fetishes of capitalism, to the extent of acquiring it for personal use.

The idol to be displayed at the temple is a Ferrari, in politically suitable red, being air-freighted from Italy by importers who have already established a hot-line in a near-by hotel to solicit offers.

The local paper Yangchen Evening News has done its best to help the enterprise by describing the exhibit as the "sparkling *diamond*" among luxury cars, and pointing out that owners include not only aristocrats and business tycoons, but pop stars to boot.

Alas they are unlikely to be joined by even a comparably small élite in China. The sverage worker would need to save the whole of his or her pay for 500 years to afford such a model st almost £88,000.

'Now the recession's over we don't need a social chapter'

Some consolation

■ Asil Nadir may not have many assets to which he can lay claim at the moment. But since jumping bail, he has perhaps done something to benefit Polly Peck's creditors and shareholders.

It can hardly be pure coincidence that the venue from which he conducted his press conference for the world's media on Friday was Cyprus's Jasmine Court hotel, and since his appearance was postponed several times, the assembled hacks no doubt took solace in increasing the bar takings.

Oddly enough, it appears that the Jasmine Court is owned by a company in which the administrators of Polly Peck are claiming a controlling interest.

On the wing

■ For the benefit of the numerous readers evidently addicted to collecting stray facts just in case they should ever come in handy, Blackwell's new Dictionary of 20th Century Social Thought has just come up with the following.

The language of the Karam people of east Africa contains a collective noun, *yakt*, which "groups bats with most birds but excludes cassowaries".

Near the bone

■ Generous or niggardly, the conditions under which Britain's hived-off public employees are being privatised could be worse. They can at least count on greater security than the literal under-dogs of the public sector – the custodial canines of the prison service.

Should the decision be taken to contract out tha dog service along with tha rest of the prisons' workers, the future would seem bleak for many of the four-legged variety.

In a written parliamentary answer Derek Lewis, newly in charge of the prisons, has promised that dog-handlers who wished to keep their charges would be allowed to. Otherwise, the animals would be offered to the armed forces, customs and excise, or the police.

But as for any that still fail to find a home, he added only: "These are working dogs trained to bite and the options for suitable placements are limited."

Gilt complex

■ London Weekend Television's £55m pot of money for 44 top managers was clearly successful in shackling almost all of them to the company for the ITV franchise period. But how many of the golden handcuffs will survive the gold rush when the troops actually get their hands on their share options in September, and at least 15 become instant millionaires?

Some, at least, are already hinting that they intend to take the money, and run to find something less tedious to do than slave away for a company with a penchant for cost-cutting.

Homing in

■ To judge by the way the FT's secretaries are queueing up to read the pre-publication copy, Robert Bramson's book Coping with Difficult Bosses due out on Thursday week could be a best-seller.

The only trouble is that the queue is headed by Observer's secretary.

FINANCIAL TIMES

Monday May 10 1993

Eurofighter costs jump 50% over first estimates

By David White, Defence Correspondent, in London

THE COST of Eurofighter, the ambitious pan-European defence project, has jumped by more than 50 per cent from original estimates when development of the four-nation aircraft was launched five years ago, according to confidential official figures.

The programme is now expected to cost as much as £32bn ($49bn) at today's prices. In 1988, the joint venture partners estimated it would cost £21bn.

The increase can be attributed only partly to inflation, and arises even though cuts in the programme were agreed last year. It reflects higher production and development costs than estimated. The four partners – Britain, Germany, Italy and Spain – are expected to buy about 600 aircraft instead of the 765 originally planned.

The latest cost figure will provoke demands from opposition politicians in all four partner countries that governments provide a fuller explanation of expenditure on the Eurofighter.

The total £32bn bill for the Eurofighter 2000 includes about £9bn for development, most of which has been spent or committed, and the cost of setting up technical support for the initial period of service.

Project managers expect the first flight of the aircraft in September, two years behind schedule. However, difficulties with the GEC-Marconi software for its flight control system have still to be resolved.

British officials are now working to a planning figure of £13bn for the UK's share of the project, involving 250 aircraft. That is almost twice the £7bn figure cited for UK costs when Mrs Margaret Thatcher, then prime minister, gave the go-ahead for the project in 1988.

The internal government estimate has risen by £1.5bn in the past year in spite of an agreement between the partners in December to redefine specifications and seek cost reductions.

The figure is significantly higher than public forecasts.

Mr David Clark, defence spokesman for the opposition Labour Party, said at the weekend he was "shocked" by the increase in projected cost and would table questions in parliament. "It behoves the government to be much more open and honest with the general public as to the cost of defence," he said.

Excluding logistic support, the bill works out at about £45m for each RAF Eurofighter. That is is roughly twice what it would have cost to buy the latest version of the McDonnell Douglas F/A-18, which was rejected by the four Eurofighter countries.

British Aerospace, the main UK partner, argues that the government could recoup all its costs through revenue generated by exports of the aircraft.

The only contracts let so far are for development, at fixed inflation-linked prices. They are being renegotiated. Governments are resisting claims for extra funding by the consortium.

Eurofighter fails to find its wings, Page 4

Balladur prepares to impose tax-raising budget on France

By David Buchan and William Dawkins in Paris

MR EDOUARD Balladur, the French prime minister, will today put his stamp on economic policy with a special budget aimed at stemming the rising budget deficit by raising taxes. He will also seek to boost the stalled economy through selective public works spending.

After only five weeks in office, Mr Balladur is using his political honeymoon to impose unpopular tax increases on an electorate which voted massively for a centre-right platform that spoke of fiscal sacrifice only in very general terms.

A cabinet meeting today will also table plans to make the French central bank independent, another election promise. The aim is to curb political interference in the exercise of monetary policy and reduce the likelihood of fresh speculative attacks against the franc.

The government-ordered audit of state finances last week paved the way for budgetary austerity. It estimated that, without corrective action, the central budget deficit would rise from FFr226bn ($42bn) last year to around FFr340bn this year. In addition, the separate welfare funds for unemployment, health, pensions and family allowances could end this year some FFr135bn in the red.

The overwhelming reason for the slide in public finances is the slowdown in the economy which, the audit commission estimated, could contract by about 0.5 per cent this year. There has also been a consequent rise in unemployment to 10.7 per cent.

The most controversial measure is expected to be a rise in the "general social contribution" (CSG) from 1.1 to 2.4 per cent on salaries, bringing in a gross FFr20bn this year.

Mr Balladur has apparently calculated that a CSG hike would do less harm to general economic growth than raising value added tax.

But in deference to strong conservative distaste for the CSG, introduced by the Socialists, he may make the increased payment deductible from individuals' income tax.

The equivalent of excise tax on petrol and alcohol is also expected to rise.

Mr Balladur is expected to confirm today that the period during which individuals contribute to full state pensions is to be lengthened gradually from 37½ to 40 years, another unpopular move.

Mr Edmond Alphandéry, minister of the economy, said in an interview with the Financial Times that the budget would take initial steps towards giving individuals a tax break on their long-term savings. He said this, in addition to the effect of recent short-term interest rate cuts, would encourage the flow of money into the stock market, essential to the ambitious privatisation programme he intends to announce shortly.

Mr Balladur has promised to pare spending by FFr20bn, with cuts expected to fall on defence and education.

But some of this saving will be used to provide tax incentives for the beleaguered construction industry and to finance public housing.

Monday Interview, Back Page, Second Section

IG Metall expects strike vote

By Judy Dempsey in Berlin

GERMANY'S powerful engineering union IG Metall is confident it will receive support for further strike action when it holds fresh ballots in three of the remaining eastern states today.

The ballots, which coincide with a second week of strikes – the first in eastern Germany for more than six decades – will be held in the metal and engineering sectors in Berlin-Brandenburg, Saxony-Anhalt and Thuringia. They will conclude the union's balloting of its 400,000 members in eastern Germany.

The strikes, and the additional ballots, are primarily aimed at putting pressure on Gesamtmetall, the metal and engineering employers' association, and Arbeitgeberverband Stahl, the steel employers' grouping, to reinstate a contract signed between the employers and the union in March 1991. This was designed to bring west and east German wages into line by next year.

Employers cancelled the contract because of deteriorating economic conditions throughout Germany. Eastern German wages are about 60 per cent of those in the west, and productivity is lagging by as much as 70 per cent.

The strikes are also to remind employers that IG Metall still has political clout – even though the stoppages, organised by west Germans rather than east Germans, could lead to higher unemployment in the east and sap union membership further. The unemployment rate, taking into account job creation schemes and short-time work, is about 30 per cent.

Both sides, publicly at least, have hardened their positions. IG Metall is insisting it will not return to the negotiating table until employers reinstate the contract, while Mr Dieter Kirchner, head of Gesamtmetall, said yesterday the timetable towards income parity must be discarded.

However, both sides are willing to negotiate away from the limelight in Dresden, capital of Saxony. Talks which broke down last week are due to resume early this week, and may break the deadlock. If not, a number of foreign companies may consider shifting their suppliers from east to west Germany, following a warning last week.

By yesterday, IG Metall had already called out 38,000 workers from 70 plants. More enterprises, located in Saxony, part of eastern Germany's industrial heartland, and Mecklenburg-West Pomerania, the poorest of the five states, will be affected today.

Whalers ready for stormy debate in Kyoto

By Bronwen Maddox in London and Robert Thomson in Tokyo

YESTERDAY was "whale meat day" at the Kujira-ya restaurant in Shihoya, central Tokyo. For Y100 (90 cents) customers could buy a lunch of the dark red, fat-free meat that would normally cost them Y1,200 or more.

That offer is part of the Japanese government's campaign to remind its people of their "whaling tradition" as delegates gather for the 45th annual meeting of the International Whaling Commission, opening today in Kyoto.

The meeting of the 39 member countries, the first in Japan for a quarter of a century, promises to be one of the stormiest. It inherits the unresolved dispute from last year's meeting in Glasgow, when Norway announced it would start commercial whaling this spring, in spite of the IWC's 10-year moratorium.

As the meeting opens, Norway's whaling boats are already at sea, more than 100 miles inside the Arctic Circle, and plan to kill abont 800 whales. Norway can claim it is not flonting international law because it shrewdly launched an official objection when the IWC ban began. But its stand bas roused opposition to its application to join the European Community, which has an anti-whaling policy.

This year Japan has said it too may return to the hunt: it wants to take 2,000 whales a year. It has joined Norway in lobbying for an end to the ban, and has hinted that it could withdraw from the IWC if this week's meeting is dominated "by emotion and not by scientific evidence".

The Japanese whale-eating tradition is not as firmly entrencbed as the government sometimes sngqests. Whale became a popular source of protein in tbe harsh years immediately following the second world war, bnt it fell from 30 per cent of total meat consumption in 1965 to 1 per cent in 1985, and has fallen further since Japan observed the ban.

Tbe IWC ban, which both Japan and Norway observed from 1987, has not stopped hunting. Thanks to a clause permitting "scientific whaliog", Japan catches 240-330 a year, and Norway around 100. After scientists have removed the stomachs for analysis, the meat goes straight to local restaurants.

Opposition to commercial whaling is divided, a handicap to effective lobbying. Some appear to accept the principle of "sustainable" hunting, but say it is hard to estimate whale numbers accurately, and that not enough is known about their habits to set qnotas safely.

Others are opposed to commercial whaling on the grounds that killing by harpoon is cruel – Britain is firmly in this camp.

Conservationist countries, led by France, are bringing their own proposal to Kyoto: the creation of the world's largest "whale sanctuary" around the Antarctic, to inrlode moch of the Japanese whaling waters.

Neither the sanctuary nor the lifting of the ban appears yet to have enough support to be carried at this week's meeting. But with a year to prepare for this confrontation, neither side has come to Kyoto in a mood for compromise.

HE LEX COLUMN

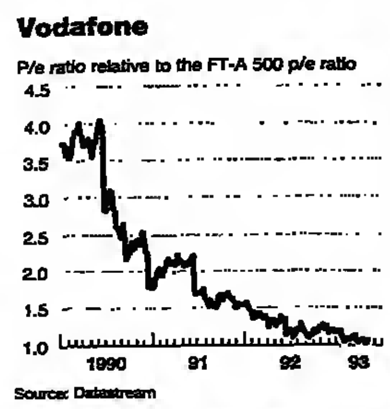
A short-sighted policy

At first glance the US Treasury's decision to switch its borrowings from long-dated bonds to short-term hills and notes appears sensihle enough. Currently two-year money at 3.75 per cent looks much cheaper than 30-year bonds at over 6.75 per cent. The US Treasury estimates that the change will save $1.8bn in 1994 and a total of around $16bn by 1998. Short-term rates are, however, volatile and once recovery gathers pace the administration could see its cost of funds rising rapidly. As bond yields would also start to rise the government is in danger of missing its opportunity to fund the deficit at the lowest long-term rates availahle for a generation.

This policy switch also puts the Federal Reserve in an invidious position, since as soon as it feels the need to tighten monetary policy it will worsen the government's fiscal plight. The bind would be all the tighter because, as loan demand picks up, banks will start to liquidate their suhstantial holdings of short-term government debt. Treasury yields may thus rise faster than general interest rates. In theory borrowing short-term money imposes an extra discipline on the government hy making inflation – and therefore short-term rates – more punitive. Politicians, however, rarely respond to such pressures.

Meanwhile long-term bonds will become less liquid. The market's focus will shift towards 10-year maturities as a benchmark, upsetting the stripped coupon market. The loss of seven-year issues could cause ructions in the interest rate swap, while the bood futures tail may also increasingly wag the cash market dog. The market's response was thus understandahly cautious – all the more so because tbe administration's action smacks of displacement activity to avoid tackling the underlying budget deficit.

Vodafone



Source: Datastream

The sound of chirruping cellular pbones is a sure if irritating sign of economic spring, and Vodafone's most recent connection figures seem to confirm that winter is over. New subscribers have been joining the network at an accelerating rate, both to the new Low Call tariff structure and at the traditional business rates. Tbe low rate of migration from business to Low Call is also encouraging. Some 30-40 per cent of its customers would be better off on Low Call: less than 10 per cent have transferred.

That lack of price sensitivity could be important as the market becomes more competitive. Mercury is about to launch its mass market mobile system within the M25 at prices significantly below the existing cellular operators. Tactically it makes sense for Vodafone to cede market share to the new entrant until it has much wider coverage. If Low Call is any guide, the erosion may be slow, so Vodafone's high margins may survive for some time. Market growth from economic recovery may also help keep earnings moving.

For longer-term protection Vodafone has been reinvesting its surplus cash flow in overseas licences. The key to profits in all these markets, however, will be the rate at which the price of technology – and hence capital expenditure on new networks – falls, balanced against restrictions on new entrants and the conservatism of consumers. Vodafone is winning the short-term battle with consumers. Whether that will be enough to prevent the kind of carnage collapsing prices have caused in the personal computer market remains to be seen.

SE Banken

Sentiment has certainly changed towards Swedish banks. Shares in SE Banken have virtually quadrupled to SKr27 since their low on April 22. Last week tbe excitement became so intense that the bank had to bring forward first quarter results showing a 60 per cent increase in operating profits. The strength of operating income is gratifying since, in theory at least, it demonstrates the scope for recovery once the crisis finally abates. That does not mean, though, that progress will henceforth be linear.

Among the factors bolstering operating income were several that may not last. Sharp swings in the Swedish money market enahled the bank to widen its interest margin: market turhulence boosted foreign exchange trading profits; commission income was helped by a strong stock market. The harder part will be to maintain the momentum when these factors subside. It is not as if the recession is over. Tbe need for provisions may continue awhile.

The tantalising possibility is thet SE Banken's improved fortunes may limit its need for state assistance to rebuild its capital. Worries that such help would not come without cost to shareholders have held back tbe price. Handelsbanken has managed withont state aid and now trades at a discount of only 25 per cent to book. SE Banken's discount of around 45 per cent suggests more room for recovery. Until the shape of the government rescue package is decided, there is no telling how far existing shareholders will be the beneficiaries.

Greencore

The Irish government's shareholding in Greencore may now have been placed, hnt the episode highlights the sadly familiar episode of an aggressive stockbroker's excessive ambition. The Irish government wanted the job to go to a national broker for political reasons. Astonishingly, no one stopped to consider Greencore's 15 per cent ownership limit which would automatically be exceeded if Davy failed to get the issue away and was stuck with shares. But Greencore is little known outside Ireland and Davy has limited experience dealing with international investors. While telling the market the 25m shares were placed, it was forced to take 4.45m of them on to the books of associated investors.

The Irish stock exchange is understandably concerned about a possible false market in Greencore's shares and has rightly launched an investigation. If the affair reflects badly on Davy, it is more surprising that a house with the skills and reputation of Warburg should have allowed itself to be dragged into the controversy. Warburg agreed to take on 2.54m of the unplaced Greencore shares in its capacity as underwriter but seems to have been uncharacteristically lax in not keeping abreast of how the placing was going. Thus it was caught by surprise when the trouble blew up. That is not what one would expect of the super-smooth mastermind behind BT3.

Nadir seeks to salvage business empire

Continued from Page 1

Thursday in an attempt to steer through the sale of Polly Peck's shareholding in Meyna, a fruit company based in Turkey and northern Cyprus, and the sale of the Cypriot pharmaceutical company ICP. A spokesman for Coopers said: "At best we can say that since Mr Nadir's flight the sales are on hold."

In a telephone interview with Sir David Frost on BBC television yesterday, Mr Nadir repeated his criticisms of his treatment in the UK and reiterated a promise to compensate shareholders in Polly Peck for their losses. He said he was hoping to offer "a very pleasant surprise" to Polly Peck shareholders but refused to elaborate.

If Mr Nadir travels to mainland Turkey he could risk being extradited. Britain has said it will seek his extradition, hut Home Office officials played down the chances of a successful application to the Turkish authorities.

Under the UK's treaty with Turkey, neither country is ohliged to extradite its own nationals. A spokesman said it was possihle the Turks might not treat Mr Nadir as immune because he has dual Turkish and Cypriot nationality, but "that is a question for them".

The precise size of Mr Nadir's Turkish and Cypriot business empire is unclear. Mr Mentesh Aziz, Mr Nadir's personal lawyer, has estimated Mr Nadir's personal wealth at £20m to £25m.

Mr Aziz said yesterday that according to records in northern Cyprus, Mr Nadir is still a director of the local PPI companies. These include Sunzest, the fruit business, Unipac, the packaging plant, and three hotels – the Palm Beach, the Jasmine Court and the Crystal Cove, although these are thought to be leased from the oorthern Cyprus government.

The administrators estimate the total book value of the northern Cyprus assets, including parts of Meyna and ICP, at about $40m (£26m). in Turkey, Mr Nadir may try to regain Gunaydin, the Istanbul newspaper. He may also seek in the courts to reverse the sale of MediaPrint, a printing company.

Additional reporting by Andrew Jack and Ralph Atkins in London

World Weather

		°C	°F
Ajaccio	S	21	70
Algiers	S	32	90
Amsterdam	S	23	72
Athens	C	30	86
Bahrain	S	29	84
Bangkok	F	37	99
Barcelona	S	20	68
Beijing	S	27	81
Beirut	S	23	73
Belfast	S	12	54
Belgrade	F	20	68
Berlin	F	24	75
Bermuda	S	21	70
Bombay	F	31	88
Bordeaux	F	19	66
Boulogne	F	16	61
Brussels	F	20	68
Budapest	S	24	75
Buenos Aires	C	19	66
Cairo	F	31	88
Cape Town	S	19	66
Caracas	C	31	88
Casablanca †	C	20	68
Chicago †	S	18	64
Cologne	F	23	73
Copenhagen	F	19	66
Corfu	S	23	73
Dallas †	R	22	72
Dublin	C	8	46
Dubrovnik	S	23	73
Edinburgh	C	9	48
Faro	F	19	66
Florence	F	25	77
Frankfurt	S	24	75
Geneva	S	18	64
Gibraltar	S	19	66
Glasgow	F	11	52
Helsinki	S	22	72
Hong Kong	C	28	82
Innsbruck	F	22	72
Inverness	C	9	48
Islamabad	R	30	86
Istanbul	R	13	55
Jakarta	R	31	88
Johannesburg	S	21	70
Lisbon	F	19	66
London	R	11	52
Los Angeles †	S	19	66
Luxembourg	C	15	59
Madeira	R	14	57
Madrid	F	22	72
Majorca	F	26	79
Malaga	F	21	70
Malta	S	23	73
Manila	F	36	97
Melbourne	F	15	59
Mexico City	C	26	79
Miami †	S	26	79
Milan	F	23	73
Montreal †	S	15	59
Moscow	S	22	72
Munich	S	21	70
Nairobi		-	-
Naples	F	23	72
Nassau	F	27	81
New Delhi	S	33	91
New York †	S	17	63
Nice	F	18	64
Nicosia	S	22	72
Oporto	S	17	63
Oslo	S	16	61
Paris	R	13	55
Prague	F	23	72
Reykjavik	C	7	45
Rhodes	F	19	66
Rio d'Janeiro	F	30	86
Rome	S	21	70
Salzburg	S	23	72
S'Francisco †	S	12	54
Seoul	C	18	64
Singapore	F	31	88
Stockholm	S	16	61
Strasbourg	S	21	70
Sydney	C	19	66
Taipei	R	28	82
Tangier	C	22	72
Tel Aviv	C	25	77
Tenerife	S	20	68
Tokyo	F	20	68
Toronto †	S	12	54
Tunis	S	26	79
Valencia	F	21	70
Venice	S	23	72
Vienna	S	21	70
Warsaw	S	23	72
Washington †	F	16	61
Zurich	S	20	68

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Monday May 10 1993

INSIDE

Russia poised for first treasury bill issue

Russia is to proceed with its first treasury bill issue on May 18 following several postponements. The issue will mark the start of a plan to finance Russia's enormous budget deficit without printing money. Rbs1bn worth of three-month treasury bills will be sold at a discount likely to produce a 100 per cent annual yield, said Andrei Kozlov, the central bank official handling the issue. He said that Russian commercial banks and exporters would benefit from instant liquidity.
Page 17

Brazilians rush to the Euromarket

Brazilian banks and companies have put last year's impeachment of President Fernando Collor (left) behind them in a rush back to the Eurobond market to take advantage of relatively attractive interest rates. So far this year, 22 banks and companies have raised more than $1.4bn through issuing Eurobonds. For investors, it is a rare opportunity to earn 11 to 14 per cent per annum at a time when US interest rates are at an historic low.
Page 19

Drew applies for a listing

Drew Scientific Group, a UK manufacturer of machines that allow doctors to monitor the management of diabetes, is applying for a stock market quotation. It will join later this month through a placing of some 30 per cent of its shares, valuing the Chiswick-based group at about £25m. Drew Scientific's main product, the Glycomat, is an automated analytical instrument capable of monitoring large numbers of blood samples. It is now making instruments for a larger market that needs tests for the level of glycated haemoglobin in blood.
Page 16

Santander makes Portuguese bid

Banco Santander, the big Spanish private bank, has launched a takeover bid for the 75 per cent of Portugal's Banco de Comercio e Industria it does not already own. A spokesman for Santander estimated the the bid to be worth a maximum Pta18bn.
Page 17

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.3, according to IBES, the consensus estimates service (last week: 14.3). This compares with an IBES estimated p/e for the "500" of 18.3 (18.6) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.70 (17.81).

Market Statistics

Companies in this issue

Wood seeks to swap pay for RBS equity

By John Gapper

MR Peter Wood, the director of the Royal Bank of Scotland, who is likely to earn more than £10m this year from the growth of its Direct Line insurance operation, is considering offering to swap his pay bonus contract for equity in the bank.

A swap of the contract, which links his annual performance bonus to the asset growth of Direct Line, could make him one of Royal Bank's largest individual shareholders, with a *stake of up to 2 per cent of* its ordinary shares. Last year Mr Wood's bonus accounted for £6,014,000 of his total emoluments of £6,131,290.

Mr Wood said in an interview with the Financial Times that he hoped to enter talks with the bank before its September year-end on a buy-out of his contract, agreed in 1988 when he sold it his 25 per cent stake in Direct Line.

If Mr Wood exchanged his bonus contract for Royal Bank equity, it would diminisb speculation that he will press for a separate flotation of the Direct Line business, which he founded in 1985 with financial *backing* from the bank.

Mr Wood already holds more shares of Royal Bank than any of its other board directors. He had e stake of 334,610 ordinary shares at the end of 1992, which is worth £893,400 at the bank'e share price of 267p on Friday.

Mr Wood said he could not predict the outcome of talks, but be believed his bonus contract was worth between 1 and 2 per cent of Royal Bank's £2.1bn market capitalisation, which would give him a stake of between £21m and £42m.

He said he believed there would still be larger family shareboldings in Royal Bank. The *biggest institutional holders* in 1992 were Banco de Santander, with 9.89 per cent, and Scottish Equitable Life Assurance, with 5.24 per cent.

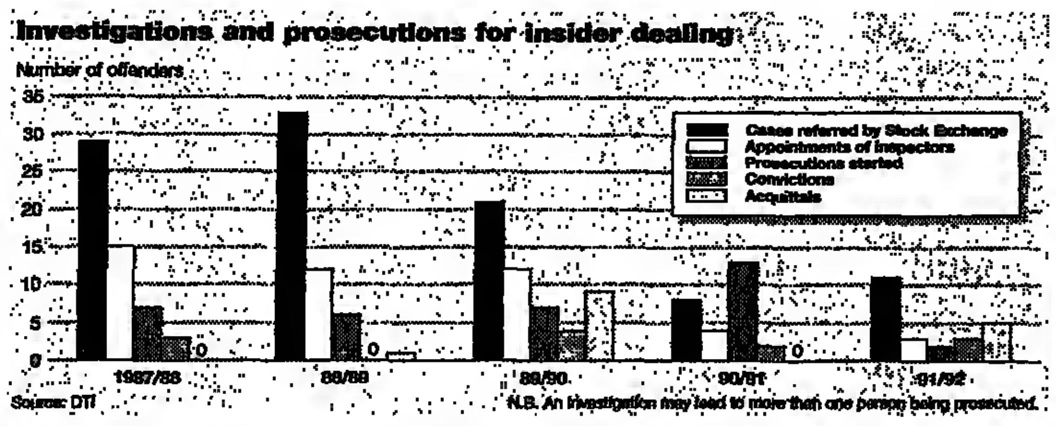
Mr Wood said he was keen to change his contract because the fact that he was getting cash in return for giving up Direct Line meant his pay arrangement was "distorted" and ettracted public attention he would prefer to evoid.

Although there has been speculetion over whether Mr Wood fits comfortably into Royal Bank, he said he was happy to work with ita chief executive Mr George Mathewson, and it was now logical to consider alternatives to flotation.

Direct Line was last week disclosed to have trebled first-half profits to £15m.

Richard Waters and **Norma Cohen** report on the fight against insider dealing

Invisible enemy defies the City sleuths




Mike Feltham: hampered

Insider dealing is like sex. To hear some people in the financial world talk, everyone else is doing it all of the time – except you.

In fact, no one has any idea how common (or uncommon) the crime really is. As Mr Peter Gerrard, general counsel at the London Stock Exchange, says: "That's part of the problem. It *makes it easy for anyone to stand* on a soapbox and talk about it."

Jumping on the soapbox last week was Mr Paul Myners, chairman of UK fund manager Gartmore. In one of the City's periodic outpourings of angst on the subject, he wrote to the Financial Times to complain about a sharp drop in the share price of Tiphook, the transport rental group, in the days before the company issued a profits warning. On previous experience, he said, it was unlikely the Stock Exchange would be able to do anything about it.

Other fund managers queued up to agree with him. Several pointed to the cases of MTM, the chemicals company, and BM Group, the construction equipment company, both of whose shares collapsed spectacularly last year after having fallen suspiciously sharply in the days before bad news was announced.

Some claim the Stock *Exchange lacks the will to police* its members, or is too passive. "Most insider dealing is done by stockbrokers," said one shareholder, adding that the self-regulatory nature of the exchange meant it could not take the tough action necessary to root out and punish insider dealing.

The Stock Exchange, the body primarily responsible for detecting the crime, denies the charges, but agrees it has been hampered in its fight against the crime. A private body with powers only over its members, the exchange has limited access to information. Department of Trade and Industry inspectors, to whom the exchange refers cases it has assembled, have greater powers, for instance, to require witnesses to answer questions.

"The gap comes where we don't have the powers needed to gather sufficient information for inspectors to be appointed," said Mr Mike Feltham, head of the exchange's insider dealing group. A central agency – perhaps the Securities and Investments Board – should be invested with all the powers and resources necessary to do the job, he says.

The exchange's complaints have fallen on deaf ears at the Treasury, where an official said: "It is very easy to come up with panaceas – an insider dealing tribunal, a change in the burden of *proof, a new central agency*. But the central difficulty is to establish that someone actually possessed inside information. It is easy to have the suspicion."

On this point, all agree. The rumours that sweep the stock market can take share prices up or down sharply. "A lot of those movements are market manipulation rather than insider dealing," says David Rough, investment director at Legal and General. Many other cases are prompted by speculation. Finding the evidence that a suspect actually dealt on inside information has defeated many potential prosecutions in the past.

The Treasury has decided not to use the opportunity presented by the implementation of the EC's Insider Dealing Directive in UK law to step up the fight against insider dealing. Prompted by the EC directive, the new legislation, included in the Criminal Justice Bill, may make a marginal difference to the fight against the crime: the need for prosecutors to establish a "connection" between the insider dealer and the company whose shares are traded will be abolished, for instance. However, the Treasury's draft legislation on insider dealing, which will land on the desks of City trade associations this morning, will do nothing to tackle the problems of enforcement abont which investors like Mr Myners complain.

> 'The difficulty is to establish that someone possessed inside information. It is easy to have the suspicion'

Despite the soul-searching in the financial world, it seems likely that some forms of insider dealing are declining. Even after it became a crime in 1980, trading on inside information remained an institutionalised practice in securities houses, and brokers were valued most for their well-timed tips, not their analysis. The well-publicised insider dealing cases of the late 1980s in the US and UK changed all that, prompting securities and investment management firms to introduce and enforce tougher dealing rules on their staff.

Also, companies and their advisers are coming under greater pressure to keep information secret, and to publish price-sensitive information promptly.

The exchange says it has become concerned at the leaking of information to Sunday newspapers and has called in a number of chairmen of listed companies *in recent months*. These tickings-off have been done the way the City likes best – in secret – but the exchange threatens it may make cases public in future.

Despite this, listed companies still like to prepare the market for bad information. "Companies call it news management," said the head of UK equities at one leading fund management house. "They don't exactly say 'We're issuing a profits warning.' They just give you enough information to realise the profits estimates of most analysts are too high."

A shareholder said that in one such meeting with the management of e major international food group last autumn, he realised that the company was likely to take write-downs at year-end which had not yet been factored *into analysts' profit forecasts*. As a result, he held off buying a further stake in the company.

Prompter publication to the market as a whole would keep insider dealing at bay, whether real or suspected. The slide in the Tiphook share price came in the days after the company had told its broker, UBS, that it planned to issue the profit warning, but before the warning was announced. The longer price-sensitive information sits around the offices of a company or its advisers, the more likely it is to leak.

The conviction in March of Mr Thorold Mackie, the Edinburgh-based stockbroker fined for advising his clients to trade in the shares of Shanks & McEwan, also sprung in part from a delay in publication. He was told of a possible profits warning at the company two weeks before it was published to the stock market.

As the Treasury official says: "More pressure should be put on companies to get information out to the market quickly." And a fund manager adds: "The minute a material development is known, the company should be required to disclose it to all shareholders." After all, if there was less inside information, there would be less insider dealing.

Generali raises capital for subsidiary

By Heig Simonian in Milan

GENERALI, Itely's biggest insurance company, is planning e complex capital-raising deal for its Alleanza life insurance unit. It also announced slightly higher profits for 1992 after two years of profit falls.

The deal will raise between L457bn and L710bn for Alleanza, which recently invested heavily in e stake in Banco Ambrosiano Veneto, Italy's biggest private-sector bank. Details of the capital raising are not finalised and the impact for Alleanza, Generali or shareholders is unclear.

Generali's net profits rose to L389.8bn (£165.73m) last year from L380.6bn in 1981. The *increase, after falls as underwriting* losses grew, was in spite of a L349bn write-down on the securities portfolio. Taxation increased sharply to L149.5bn last year from L65.4bn in 1991.

Opereting profits rose to L255.3bn from L108.2bn, on e 21.9 per cent jump in group premiums to L8,804bn. Preliminary consolidated preminms soared about 40 per cent to L22,425bn. Adjusted for exchange-rate factors and acquisitions, the rise was abont 12.5 per cent.

The improved profits ceme despite a rise in noo-life under*writing losses* to L142.7bn *from* L112.8bn. By contrast, Generali's life insurance profits rose to L532.5bn from L493.4bn. Earnings were also boosted by a L249bn gain on exchange rate movements.

Shareboiders' confusion over the Alleanza deal was mitigated by Generali's decision to pay this year's dividend of L350 a share wbolly in cash, instead of a mixture of casb and Alleanza shares as last year. The Alleanza transaction involves, first, a free one-for-four issue of 108m new ordinary shares and 21.6m savings (*non-votiog*) oon-coovertible shares. That will be followed by a second capital increase, involving np to 50.7m oew ordinary shares, which will serve a oew six-year convertible bond. This bood will pay interest between 4 and 6 per cent, and will be priced between L9,000 and L14,000.

Generali will also issue three-year warrants, in e like number to the convertible boods, on 16.9m non-convertible Alleanza savings shares it currently holds. The warrants will be priced et L1,200 each. Generali will receive L60.9bn for the warrants. *Further proceeds* will come through the linked sale of its Alleanza savings shares.

Upbeat Gaidar sees minds won over by reform

Economics Notebook

By Anthony Robinson

MR Yegor Gaidar, the former Russian prime minister, concluded three lectures at the London School of Economics last week with an upbeat message whicb left his eudience of economists, academics and businessmen with the impression that Russia has found a new Stolypin.

"If we can *maintain* political stability, Russia will continue to be a very poor country into the 21st century. But it will also be one of the most dynamically developing markets in the world, in which western *businessmen will fail* to participate at their peril," the 36-year-old economist and former journalist predicted in his fluent bnt heavily accented English.

With the slogan "order, then reform" Pyotr Stolypin, Russia's last great reforming prime minister, picked up the pieces after the failed 1905 revolotion. He set out to create a prosperous peasantry and a stable middle class and so underpin Russia's transformation into a modern, constitutional monarchy. Tragically, he died from an assassin's bullet in 1911.

Russia's current reformers faced a similar task as they sought to fill the vacuum created by the failure of the August 1991 attempt to restore the old Soviet power structure. They moved to cut bloated military spending by 70 per cent, started to tackle an inflationary monetary overhang and opted for rapid mass privatisation as the main instrument of socio-economic transformation.

Stolypin, whose readiness to jail or execute violent opponents led to the gallows being nicknamed the "Stolypin necktie", took a tough line with those in the way of his reforms. By contrast, *Gaidar* explained how Russia's post-coup reform team went out of their way to bring opponents round and argued that privati*sation in particular* must be drafted to benefit all its potential opponents.

What that meant in practice, he told his *LSE* audience, was a mass privatisation programme that allocated shares to enterprise managers and the work collectivee directly involved, as well as to power centres such as local governments, security forces and teachers with the passive power to block any reform.

"We *have created* a new social basis behind our economic policy and this in my view is the reason for our success in the referendum. Life has changed in the ordinary Russian city. People are suffering from higher prices and corruption and face the prospect of rising unemployment. But there are enormous opportunities, especially for the young and energetic, to earn good money. People no longer have to travel 1,000km to Moscow to buy a *terrible salami sausage*, or wait hours in line for bread, milk or meat. They can even buy luxuries which they never imagined would appear in their *shops* – like bananas," he said.

This is the optimistic, post-referendum perspective. The picture looked less rosy last December wben Mr Gaidar, identified as the arch-reformer by conservatives, was sacrificed by Boris Yeltsin to quieten the baying of the anti-reform lobby.

Gaidar's explanation for what went wrong harked back to the previous spring and summer when Russia *had* been hit by a flood of easy credits issued by Ukraine. This recreated all the old financial imbalances and created a near universal opposition to reform and a universal demand for the printing of more money.

The reformers got close to restoring confidence in the rouble in early 1992, by eliminating the inherited budget deficit of nearly 20 per cent of GDP. But the lack of customs posts and tax collectors and inability to control the spending of republics like Ukraine inside the rouble zone sparked off e flood of money from the Russian central bank to bail out Russian enterprises, he *explained*.

In December, Mr Gaidar was replaced as prime minister by Mr Viktor Chernomyrdin, a typical Soviet era enterprise manager, and the flow of easy credits to enterprises resumed. At this polnt, Gaider explained, all that remained of the reform programme was the momentum behind the privatisation programme and the determination of the reformers still in the government to try to regain control over the money supply.

Four months *later*, however, the referendum vote showed strong support for continuing the reforms. Gaidar believes the result shows that the close *relationship* between easy credit and higher prices is now better understood. He also believes that the start of the biggest mass privatisation programme ever seen has swung many enterprise managers and sceptical workers into the reform camp.

"The change of attitude has been dramatic," he said. "Last spring factory managers combined against the government, clamouring for easy credit. By autumn there was a clear divide between those nostalgic for the old days of easy credit and state orders and the younger, more energetic managers who saw their future as the heads of big private companies, competing with western companies and enjoying e high standard of living."

As for workers, he added, "they used to complain about high prices and low wages. By September they were asking what should we do with our vouchers and is the management plan for the future of our factory sensible, or are they fooling us?"

The reformers initial success in cutting the budget deficit and pursuading the central bank to raise interest rates showed it was possible to change from soft-budget constraints and supply shortages to a demand determined economy facing hard budget constraints.

Mr Gaidar's insider account, drawn from memory and delivered without notes, underlined the parallels between the window of opportunity opened up hy the failed coup of August 1991 and the new opportunity to take reform further which has opened up in the wake of last month's referendum.

Enriched by the mass of compressed experience since the collapse of the Soviet Union and made wiser by the mistakes committed, the reformers are again seeking to wrest the initiative. Among their targets - to regain control of the money snpply, raise energy prices to world levels, and bring Yegor Gaidar back into the team.

Berisford in profit after three years of losses

By Maggie Urry

BERISFORD International, the property and agribusiness group which on Friday saw its £184m offer for C&J Clark turned down by the shoe company's *shareholders*, *will* today announce a return to profits after three years of losses. It is likely to reiterate plans to buy other businesses.

Interim resnlts are not likely to include the costs of the ebortiva offer for Clarks. These are thought to be well under £1m, with many advisers' fees geared to success.

Clarks' costs may be much higher. Its merchant bank, Scbroders, held a full-scale international auction for the company epproaching more than 40 possible bidders after *shareholders agreed last October* to seek a buyer.

Schroders, whose position has been questioned after Friday's shareholder vote to keep the group independent, said yesterday it foresaw e continuing relationship with Clarks.

Questions hang over the future of Clarks' chairman, Mr Walter Dickson, and six other directors. Attempts to oust Mr Dickson last October could be repeated, although on Friday shareholders promised to end the disharmony which bas bedevilled the company.

Berisford is expected to show e small pre-tax profit for the six months to end March. This is thought to have come *from asset sales rather than* trading. Operations are likely to have shown a small loss.

In the comparable period Berisford lost £57.4m before tax on an FRS 3 basis, after £49.2m of provisions.

Drew Scientific valued at £25m

By Richard Gourlay

DREW Scientific Group, which makes machines that allow doctors to monitor the management of diabetes, is joining the rush for a market quotation.

It is set to join the stock market later this month through a placing of some 30 per cent of its shares, putting a value on the whole of this Chiswick-based group of about £25m.

Formed by Mr Keith Drew, a former submarine lieutenant in the Royal Navy, the group has evolved in the last five years from work screening blood for sickle-cell anaemia carried out with the Institute of Child Health, an affiliate of Great Ormond Street Hospital.

The placing is expected to be priced at about 110p, to raise £7m, of which £4m will be used for development of the group which has so far grown from internally generated resources and a small overdraft.

Mr Drew and his family, which currently holds just over 50 per cent of the shares, will raise £1.3m through share sales and will be left with just under 30 per cent of the group.

In the year to March the group made a pre-tax profit of £151,000 on sales of £1.7m. It is currently producing 40 machines a month – retailing at up to £15,000 – and the packs of consumables required for each test, and could make profits of up to £2m, giving earnings per share of 5.8p assuming a low tax charge.

The new issue precedes flotation of a similar diagnostic instrument company, Anagen, due for mid-June although that is still developing its product and has made no sales.

Drew Scientific's main product, the Glycomat, is an automated analytical instrument capable of monitoring large numbers of blood samples. It is now making instruments for a larger market that needs tests for the level of glycated haemoglobin in blood.

So far Drew has sold only 275 machines. But it claims "considerable potential for rapid growth" after it received Food and Drug Administration approval to sell in the US and launched its main Glycomat product there in December.

Competition for the system comes from traditional electrophoresis methods, which are much cheaper hut also more time consuming. Other competition is High Performance Liquid Chromatography, which unlike the Drew system requires high pressures. The main producers of this are a Californian company, Bio Rad, and Daiichi of Japan.

Drew has given worldwide distribution rights to Ciba-Corning, a subsidiary of Ciba Geigy, and also European rights to IL of Milan.

Mr Drew says the group wanted a sounder base for development given the intentions to market a new, smaller instrument to a wider market later in the year.

It also needed to move from manufacturing "cottage industry" style in Chiswick to a full manufacturing base in Cumbria. "We have done alright but we have fresh markets to go for particularly in the US and in Japan," Mr Drew said.

Ossory talks may lead to restructure

OSSORY Estates, the property group, is negotiating with its 30 banks for a new medium term loan agreement embracing all of its £100m of debt, and that could lead to a capital reconstruction and the raising of fresh capital.

That would take the business forward and back to profitability, the directors claimed.

Several banks are being asked to convert non-performing debt into equity. Since the breaches of bank covenants arose last September the company has ensured no bank has pursued its security.

Part of the reconstruction would include creditors in the Skelmersdale concourse project converting their debt into equity. Ossory lost the High Court action regarding the fire there, and creditors for £4m will not be reimbursed by the insurers but become a direct liability of the group.

In the half year ended December 31 1992 the group incnrred a pre-tax loss of £17.4m, against a profit of £1.52m. At the operating level, the group achieved a substantial rednction in overbaads and tackled several inherent management problems.

However, £8.54m has been provided against property valnes and £5m for extraordinary interest costs to cover converting the fixed rate preference sbares into a variabla rate instrument. Bnt tbat was potentially recoverable.

Losses per share were 21.82p (0.63p).

In the year 1991-92 tbe group wrote £42.7m off investments and properties, and finished with a loss of £41.6m.

OGC flotation

OGC International, the North Sea construction and project management group, is coming to market on a historic multiple of 11.9 at the issue price of 130p. In its prospectus tbe Aberdeen-based company, valned at £78m, indicated a notional gross dividend yield of 4.2 per cent. The offer closes on May 19 and dealings are expected to begin on June 1.

EIT placed into administration

By Paul Taylor

EIT Group, the USM-quoted information technology company formerly known as Maxiprint, has been placed into administration.

Mr Michael Radford and Mr Paul Barratt, both of Radford, Sons & Co, were appointed joint administrators of the company by the High Court on Friday under the provisions of the Insolvency Act 1986.

EIT's shares were suspended at 9½p in February pending clarification of its financial position.

Earlier in the day the group, which has been hard hit by continued rationalisation costs at Sintrom, reported a sharp increase in pre-tax losses from £99,000 to £950,000 for the half year ended September 30 1992.

Trading in the period had been "satisfactory" taking into account the economic climate, the directors said. The group supplies and supports computer software for communications systems.

With the benefit of acquisitions turnover went up from £1.25m to £8.6m, but operating expenses outweighed the gross surplus for an operating deficit of £670,000 (£74,000).

Losses per share were 3p (1.05p).

BIS returns to the black

By Alan Cane

BIS, the compnting services group owned by Nynex Corporation of the US, returned to profitability in 1992, with £8.7m et the operating level.

Revenues improved 7 per cent to £120.5m (£112.6m). In the previous year there was a loss of £1m, the first one in tbe company's recent history.

BIS is a complex group including computer software, consultancy, facilities management and direct marketing interests, and it is best known for Midas, a software package for international banks now used by 500 customers in 70 countries.

Some 46 per cent of total revenues come from banking software.

Mr Roger Graham, chairman and chief executive, said tbe turnround to profit had been the result of cutting parts of the business that were unprofitable and improving quality and customer satisfaction.

There had been strong growth in sales to local and central government and to utilities. The group intended to compete strongly for a share in the government's market testing programme, Mr Graham said.

Jarvis cash call as losses hit £3.7m

JARVIS, the construction and property group, has reported a £3.72m pre-tax loss for 1992 and announced a rights issue to raise £2.35m.

The issue of 18.07m new ordinary shares is on a one-for-one basis at 14p per share. Proceeds will be used to improve liquidity and gearing and to prepare the group for an expected recovery in its markets.

Irrevocable commitments to take np their entitlements have been received from shareholders holding 29.7 per cent of the existing equity.

The year's loss, compared with a £238,000 profit, and reflected problem contracts and redundancy and other closure costs, particularly within the bnilding division. Turnover came to £92.1m (£119.7m); loss per share was 19.8p (earnings 0.8p) and the dividend bas been omitted (0.575p).

Jarvis also announced that its subsidiary, Jarvis Estates, bad contracted to sell for £1.05m two properties in Becontree and Darlington to Jarvis Pensions, tha trustee for tha Jarvis Pension Scheme.

The rights issne has been underwritten by Mr Harvey Bard, the chairman and fellow director Mr Martin Reuben.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
American Express (US)	Nyman & Schutz (Sweden)	Travel	£73m	Biggest Amex buy in sector
Burns Philp (Australia)	British Pepper & Spice (UK)	Food	£25m	Total price for Hunter..
Burns Philp (Australia)	Euroma (Netherlands)	Food	n/a	..Saphir businesses
Thomas Cook (UK/Germany)	Marlin Travel (Canada)	Travel	£11.3m	Buying Canada's biggest in sector
MarkitStar (US)	HMG Europe (Netherlands)	Marketing	£9.6m	Saatchi and Saatchi disposal
EIS Group (UK)	Wilhelm Klein (Germany)	Engineering	£1.7m	Complementary cash buy
Tessile Mirogolio (Italy)	Yves Rocher (France)	Clothing	n/a	Another Elf deal
BSN (France)	Aliments Delisle (Canada)	Food	n/a	Expands N American interest
Matra Hachette (France)/ British Aerospace (UK)	Joint Venture	Weapons	n/a	Discussions announced
Alders Intl (UK)	Net Group (Turkey)	Retailing	n/a	Duty free stake

NEWS DIGEST

Revamped Maddox over £1m

AFTER returning to the black at midway, Maddox Group finisbed the 1992 year with a pre-tax profit of £1.13m from turnover of £24m. Included in tbe profit was a £491,000 exceptional credit.

In the second half Cables and Flexibles and Seacoast Electric suffered e significant reduction in activity and substantially poorer results than expected. Hence the decision to sell them.

Wakebourne Group, the computer and maintenance support business acquired last August, matcbed expectations and made significant contributions to profits.

Operating profit before central costs came to £1.36m. Wakebourne accounted for £906,000, C&F £387,000 and Seacoast £223,000 for the period March to September, and other businesses incurred losses of £155,000.

Earnings per share came to 0.39p, against losses of 1.43p in the previous nine months on a pre-tax deficit of £311,000.

Assuming shareholders approve the sale of C&F and Seacoast the main business of the group in 1993 will he focused on the information technology support sector.

In the first four months of 1993 Wakebourne's profits were ahead of budget, and Computer Profiles, a UNIX based systems development business acquired in February, was already contributing to group performance.

BDA takes in £1.2m exceptional charges

After an exceptional £1.2m against the carrying values of its stock and work, BDA Holdings incurred a loss of £1.16m in the year ended January 31.

In the previous year this group of quantity surveyors, architects and construction management consultants, was just in the black at £18,000.

Mr Brian Duker, chairman, said in the review of properties the value of the head office in Chingford was cut by £300,000. This was offset against the revaluation reserve.

Turnover was £1.33m (£1.89m) and losses per share worked through at 6.4p (earnings 0.1p).

Cooper Clarke hit by bad debts

For tha year 1992 Cooper Clarke, builders' merchant and distributor of specialised products, made a pre-tax profit of £203,000 from £23.6m turnover.

The 1991 period was for eight months only, and that produced a profit of £126,000 from sales of £13.2m.

Mr Peter Clarke, chairman, said the company had been hit by bad debts of £316,000 in the year despite close control of credit management. Intense competition again squeezed margins.

After a substantially higher tax charge earnings per share for the year came to 2.6p (4.1p for the period).

Baring Securities Emerging Markets

The Baring Securities Emerging Markets Index Tracker Fund has launched a placing of up to 10m ordinary shares at $10.50 each. The placing has not been underwritten and no shares will be allotted unless subscriptions have been received for a minimum 5m shares.

The net proceeds, assuming maximum subscription, will amount to $100m (£64.9m) and will be invested in a sample portfolio of the equity securities of companies whose shares make up the Baring Securities Emerging Markets Index.

Radiotrust value starts picking up

Reflecting the continuing difficult trading conditions, net asset value of Radiotrust at January 31 had fallen to 48.3p, compared witb 49.9p six months' earlier and with 50.2p at end-January 1992.

Since then, however, it had edged upwards as signs of the ending of the recession bad begun to appear, the directors said.

In the year ended January 31 1993 income totalled £113,000 (£127,000) but there was a net loss of £22,000 (£26,000), equal to 0.25p (0.3p) per share.

The current year promised to be "more stimulating" than the last two as the recession faded and advertising revenues began to climb, the directors claimed.

Atreus subsidiaries meet expectations

Atreus, the shower screen and mirror supplier which obtained a listing in March via the reverse takeover of URS International, has announced results of its trading subsidiaries for the year to January 31.

The subsidiaries, the DB (UK) group, achieved pre-tax profits of £1.11m compared with the estimated £1.1m given in the listing document. Turnover was £6.23m against the estimated £6.19m.

Atreus, which has a March 31 year end, acquired DB for £5.5m in loan notes and shares on March 26 1993 and at the same sold URS to Howmac for £1. Results of the enlarged group for the half year to September 30 will be published in December.

COMPANIES AND FINANCE

Russians set date for Rbs1bn issue

By Leyla Boulton in Moscow

THE RUSSIAN authorities plan to press ahead with their often-postponed first Treasury bill issue on May 18. The issue will be for Rbs1bn worth of three-month Treasury bills to make a start in financing the country's enormous budget deficit without printing money.

The Treasury bill market, however, will initially be closed to foreigners.

Mr Andrei Kozlov, the central bank official handling the issue, said the bills would be sold at a discount likely to produce a 100 per cent annual yield, well below inflation currently running at 1,100 per cent a year.

But he said that Russian commercial banks and exporters would have an incentive to buy the bills. It would be better than keeping huge amounts of vital cash to compensate for the fact that the Russian central bank can take weeks or months to transfer money through its rickety payments system.

"We are promising instant liquidity," Mr Kozlov said.

The central bank also has a habit of hanging on to rapidly-depreciating roubles owed to exporters who have to sell 30 per cent of their hard currency earnings to it.

Mr Alexei Kuznetsov, acting chairman of Incombank, one of 20 official dealers, said the issue would be attractive if banks could hold part of their reserves in the form of treasury bills. The current reserve requirement is 20 per cent.

Mr Pavel Zhikharev, chairman of Sberbank, the country's nationwide savings bank, which until recently had its deposits simply appropriated by the government to help finance the budget deficit, said his bank was likely to buy the bills.

Boris Fyodorov: insisted on 'civilised' way to fund deficit

He added that this was on condition that the bills would indeed yield 100 per cent and not be subject to tax, as promised by the authorities.

Mr Boris Fyodorov, finance minister, who has long insisted the authorities start to finance the budget deficit using "civilised" methods such as treasury bills, complained recently that high inflation would make it difficult to "sell a decent amount" of them.

But Ms Bella Zlatkis, head of the finance ministry's securities department, said the government proposed to sell a total of Rbs1,000bn worth of Treasury bills this year – compared with an expected budget deficit of several thousand billion roubles.

She said two experimental auctions had already shown there would be demand for the paper, but she was hoping the central bank would make it compulsory for commercial banks to hold some of their reserves in the form of Treasury bills.

Mr Kozlov has so far resisted making this compulsory.

Spanish in Pta18bn Portuguese bank bid

BANCO Santander, one of Spain's biggest private banks, has launched a takeover bid for the 75 per cent of Portugal's Banco de Comercio e Industria it does not already own, AP-DJ reports from Madrid.

A spokesman for Santander estimated the bid to be worth up to Pta18bn ($155m).

Santander said the Portuguese bank's other overseas investors, the Royal Bank of Scotland with 15 per cent and Metropolitan Life Insurance with 3.6 per cent, have approved its offer.

The Spanish bank will pay Esc1,400 ($9.53) a share for the bank, a 40 per cent premium over BCI's average share price in recent weeks. The bid must be approved by the Portuguese authorities.

Royal Bank of Scotland, Santander and BCI participate in a cross-border computer network with Crédit Commercial de France.

Santander and RBS also have a banking alliance, with the Spanish bank holding 9.9 per cent of RBS and the Scottish bank holding a 2.5 per cent stake in Santander.

Mr Jose Sevilla, a banking analyst with Madrid brokerage FG Inversiones Bursatiles, said the move was in line with Santander's strategy in Portugal, where they are "pretty aggressive in terms of introducing new products."

Santander shares closed Pta10 down Friday at Pta5,060.

BCI operates in retail and investment banking, as well as corporate finance and leasing activities. It has expanded strongly in the past two years, increasing its branches to 86 from 25, with another 20 scheduled to open this year.

Assets rose 36 per cent in 1992 to Pta295bn, while deposits rose 40 per cent to Pta177.76bn.

Net profit in 1992 reached Pta1.73bn, Santander said, without giving a year earlier figure.

Indian Airlines chief quits after row with ministry

By Stefan Wagstyl in New Delhi

INDIAN Airlines, the troubled state-owned carrier, has been thrown into confusion by the sudden resignation at the weekend of Mr L. Vasudev, the chairman and managing director.

Mr Vasudev's departure comes at a time when the airline has been widely criticised for its records on safety and strikes, and its heavy financial losses.

The immediate cause of Mr Vasudev's departure was a row between him and Mr Ghulam Nabi Azad, the aviation minister. In a letter, Mr Vasudev accused the ministry of "systematically undermining" his role as chief executive.

Mr Vasudev took office only last July, when the chairmanship had been vacant for more than six months following the resignation of his predecessor over the handling of a pilots' strike in late 1991.

He also ran into trouble with the pilots who went on strike for higher pay in December 1992 during the peak season for foreign tourists and business travellers.

Mr Vasudev tried to break the strike by hiring Tupolev jets and crews from Uzbekistan Airlines. He wished to instill commercially-mindad management practices into the airline, which is facing increasing competition from fledgling private carriers.

The attempt collapsed when a Tupolev crashed in January at New Delhi airport. No-one was seriously hurt, but the government forced the airline to accept the pilots' demands.

However, in the last month, two Indian Airlines jets were hijacked, prompting an investigation into security standards, and 53 passengers were killed when another aircraft crashed at Aurangabad, in western India.

Accident investigators are examining whether the aircraft, an ageing Boeing 737, had been in fit condition to fly and whether it had been overloaded.

In his resignation letter, Mr Vasudev says the airline management's "abject surrender" in the strike led to "rank indiscipline in the organisation" and the "greatest casualty of indiscipline" was safety.

Sarrio blames KIO as profits tumble

By Tom Burns in Madrid

SARRIO, the Spanish cardboard producer controlled by Italy's Saffa group, announced a sharp fall in net profits to Pta105m ($906,000) for 1992 from Pta2.7bn.

The group said the blame lay solely with the Kuwait Investment Office.

Mr Carlo Bonomi, chairman, said Sarrio was owed Pta8.6bn by Grupo Torras, KIO's investment arm in Spain, which bought Sarrio's special paper operations in February 1991.

Sarrio is suing Torras, as well as the KIO and the Kuwait Investment Authority, the investment office's controlling department, for non-payment on the transaction.

At the same time, Sarrio has been forced to provide against a fall in the value of shares in Torras-controlled companies it acquired as part payment on the deal.

Grupo Torras went into receivership at the end of last year. Mr Bonomi said Sarrio's results had been dramatically affected by the KIO.

Moody's downgrades NEC debt

By Michiyo Nakamoto

MOODY'S, the US credit rating agency, has downgraded the long-term debt rating of NEC, citing expectations that the Japanese electronics group's debt cover will deteriorate. The agency reduced its rating from A2 to A3.

NEC, a leading manufacturer of telecommunications, computers and semiconductors, faces increasing competition in many of its markets, Moody's said.

The group has seen the proportion of retained cash-flow to total debt fall to about half over the past several years, while interest cover has fallen from three times to about one and a half. The company is also forecasting a substantial loss in the year to March 1993, so interest cover will fall further.

In the Japanese PC market, which NEC has dominated with its proprietary system, competition from US manufacturers is set to intensify with the spread of MS-Windows.

This new operating system will loosen NEC's hold on the market by challenging the predominance of its Japanese-language software that has been maintained due to its propriety system.

In addition, the company faces increasing price competition from US manufacturers, which will also erode its market share of over 50 per cent in Japan, Moody's says.

In its semiconductor business, NEC is in a market where research and development and capital investment continues to rise rapidly with each new semiconductor generation, while profits from semiconductor sales continue to decline.

Moody's has also downgraded NEC's short-term debt ratings and the rating of NEC Industries Netherlands from P-1 to P-2.

Shanghai lets in foreign brokers

By Tony Walker in Beijing

THE Shanghai stock exchange has approved 23 foreign brokerage firms to deal directly in its B-share market.

These are shares denominated in US dollars and restricted to foreigners.

Among the 23 approved securities houses are Merrill Lynch of the US, Crédit Lyonnais of France, Nomura International of Japan and Sun Hung Kai of Hong Kong.

Mr Wu Yalun, deputy chief manager of the exchange, said the foreign companies had been offered direct access – previously foreign securities firms were obliged to deal through a local affiliate – to meet the growing needs of overseas securities agencies.

Mr Wu said the presence of a foreign securities companies would make transactions more competitive on the world market.

Trade in the B-share market has been flat recently, partly because foreign investors have been awaiting the listing on the Hong Kong exchange of select mainland companies.

Reservations about a lax regulatory environment in China are one of the factors deterring fund managers.

Altron ahead 11.5% at R103m

By Philip Gawith in Johannesburg

ALTRON, the diversified electronics, information technology and power cables group, lifted attributable earnings in difficult operating conditions by 11.5 per cent to R103.3m ($32.68m) in the year to February from R92.7m a year earlier.

The best relative performance came from Fintech, the information technology arm, which lifted attributable earnings to R36.2m from R20m.

Powertech increased earnings by 7 per cent to R46.3m from R43.4m, but Altech's earnings fell back slightly to R90m from R92m as an improved operating performance was offset by lower interest income on cash balances and a higher tax bill.

Group turnover edged ahead to R2.7bn from R2.6bn, but tough trading conditions saw operating income fall to R281.2m from R294.5m. The dividend was increased by 7 per cent to 170 cents from 159 cents last time.

Mr Bill Venter, executive chairman, said the group had made progress in pursuing its policy of strategic acquisition while investing in new markets and growth opportunities domestically and abroad.

Altron has acquired an investment in Alcatel Alsthom, the French telecommunications systems manufacturer, which in turn has taken a 50 per cent stake in Alcatel Altech Telecoms. This deal, and existing ties with the Swiss ABB group, offers Altron entry to their markets.

Reisebüro Kuoni turns in 13.9% advance in sales

By Ian Rodger in Zurich

REISEBURO Kuoni, the Swiss travel group, said it looked forward to a "relatively satisfactory" result in 1993.

The group, in which the German retailer Kaufhof purchased a 50.1 per cent capital stake last year, reported that 1992 group sales rose by 13.9 per cent to SFr2.46bn ($1.72bn) and net profits more than doubled to SFr49.9m from SFr21.3m.

Mr Peter Oes, chief executive, said at the group's annual press conference that Kuoni was discussing co-operation with Kaufhof's ITS travel subsidiary. It has also been agreed that Kaufhof would select two of the group's seven board members.

The Swiss Kuoni-Hugentobler Foundation, created by the group's founder, holds a 52.6 per cent voting majority. Swissair sold its 35.8 per cent stake in Kuoni last May.

ISS to make US purchase

By Hilary Barnes in Copenhagen

ISS, the Danish cleaning services and building maintenance group, is to acquire the US National Cleaning Group, controlled by the UK's Nu-Swift.

In turnover terms, the acquisition would probably rank as the biggest foreign acquisition ever made by a Danish company. ISS hopes the deal can be concluded in June, but no purchase price was disclosed.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Pool purchase price (£/MWh)	Pool selling price (£/MWh)
[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Pool purchase price (£/MWh)	Pool selling price (£/MWh)
[illegible]	[illegible]	[illegible]

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Negative factors set to hold back upturn

ALONG with the green shoots often come some creepy crawlies. These thoughts bucked up the gilt market last week, as indications strengthened that any UK upturn will be held back by negative factors, such as high household debt and economic weakness across the rest of Europe.

Nervousness that the UK economy is still sickly was due partly to the belief that the US recovery might be slackening, a factor that would further depress export markets. Also, the latest money supply data indicated consumer spending might not be growing by as much as some economists believe.

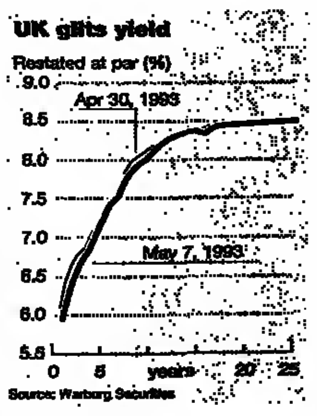
These factors arrested the sharp decline in gilt prices that had been evident the week before. Yields at the short end fell up to 10 basis points on the week, with a corresponding increase in prices, while yields for longer-dated securities were little changed.

An important factor holding up prices at the short end were the shock defeats by the Conservative party in the Newbury and county council elections.

The inference that the government might be forced into a further cut in base rates to lift its sagging popularity led to some buying support for gilts of less than 10 years maturity. Base rates have been held at 6 per cent since late January, even though many industrialists and consumers are still calling for easier borrowing conditions.

At the longer end of the yield curve, there was a firm ceiling over price rises. Investors were worried by theories that the large volume of gilts likely to be on offer over the next year to fund the big government deficit will push down prices.

In particular, the Bank of England is thought likely to announce in the next few days another £3bn gilt auction for later this month, possibly for



stock of about 10 years in maturity. The thought of another auction so soon after the one last month – which attracted relatively little interest from important groups of gilt investors – acted to damp investor spirits.

M0, the narrow measure of the money supply which mainly comprises notes and coins in circulation, grew in the year to last month by a seasonally adjusted 4.8 per cent, after year-on-year growth of 4.9 per cent in March.

This was the first fall in the year-on-year increase in M0 since December, and indicated that any upturn may be weak. "There are few doubts that the recovery has started but there is a question mark over its robustness," said Mr John Shepperd, economist at S. G. Warburg Securities.

Assuming such sentiments continue to be in evidence in the next few weeks, then gilt prices could yet see a new spurt. Investors will find out today from the Central Statistical Office how much extra credit consumers took on in March, an indicator that will provide clues as to the strength of any upturn. The consensus among City economists is that this figure will be about £90m.

Also, the gilt market will be watching for today's release of the figures for producer price inflation for last month. Output price inflation remained stable at a year-on-year rate of around 3.4 per cent in the second half of last year.

After registering 3.7 per cent in both February and March, it may show a rise to 3.9 per cent in the year to April, according to the City consensus. Such a rise would be worrying for many in the gilt market on the basis that this would indicate an upsurge in demand pressures.

However, at a retail price level Mr Julian Callow, a bonds specialist at Kleinwort Benson, remains optimistic that rising prices are some way from becoming a problem. He calculates that in the year to last month the increase in the retail prices index will turn out to be just 1.5 per cent, after 1.9 per cent in March, while the figure for the RPI less mortgage costs will fall to 3.1 per cent from 3.5 per cent.

While weak underlying demand pressures are one factor behind Mr Callow's bullishness over inflation, another is the change in the RPI caused by the introduction of the council tax in place of the more expensive poll tax. If Mr Callow's arithmetic is proved correct when the RPI announcement for April is made a week on Friday, this will probably give a strong boost to gilts.

Peter Marsh

US MONEY AND CREDIT

Investors find the old rule holds true

THE OLD financial markets rule, "buy on the rumour, sell on the fact," held true last week when the US Treasury finally announced its long-awaited decision on restructuring the government's debt mix.

There had been plenty of buying on the rumours (which mostly predicted that the Treasury would decide that the best way to cut federal interest costs would be to issue fewer long bonds and more shorter-dated securities in future), and when the facts were released, there was an initial surge of selling.

Prices, however, did not fall particularly far, as the selling was restricted by the fact that the rumours had proved well sourced, so there was no real element of surprise. The Treasury's plans consist of shortening the maturity on government debt by reducing the frequency of long bond auctions, eliminating the seven-year note and boosting issues of securities with a maturity of five years or less.

In all, the market's reaction was rather muddled. Bond investors examined the Treasury's planned changes, and, unsure what to make of it, quickly diverted their attention to other matters, such as the April employment report.

The Treasury's moves, however, deserve closer consideration than the market seems to have afforded them. Mr Joe Liro and Ms Mary Rooney, of Warburg Securities in New York, made an interesting point in their instant analysis on the subject.

They pointed out that the Treasury's decision to place the emphasis of debt management on short-term financing gave the Federal Reserve an even greater role in determining the government's financing costs. "Once the Federal Reserve embarks on a course of monetary restraint," they wrote, "short rates will come under pressure and Treasury financing costs will soar. If the Fed shows a reluctance to tighten when a policy of restraint is necessary, its anti-inflation credibility will be immediately called into question by the financial markets."

In other words, there will be more at stake than ever when the Fed decides to tighten or loosen monetary policy.

Although the latest readings on the US economy suggest the strong pace of growth achieved at the tail end of 1992 is slackening, most economists expect the Fed's next likely move on interest rates to be up rather than down. They also expect the Fed to take precautionary measures designed to ensure inflationary pressures do not revive when business activity begins to hit its stride in late 1993 or 1994.

The shortening of the maturity on government debt, however, means that in future the Fed will have to consider carefully what affect its tightening of policy will have on the government's interest costs.

With a president occupying the White House who is extremely keen to reduce the drag on economic growth that the huge federal budget deficit represents, those considerations will weigh heavily on the Fed.

Generally, the Treasury's decision on the debt mix did not go down especially well on Wall Street. The consensus was the government was playing a dangerous game, betting its debt management policy on long-term interest rate movements.

At the core of the critics' complaints was the view that the shortening of maturities will make the federal debt more of a hostage to interest rate rises.

Mr Geoffrey Dennis, of James Capel in New York, said that with more debt maturing at an earlier stage the Treasury's changes mean a more rapid refinancing of already-issued debt will be required. "Should interest rates rise in the interim, this refinancing will become more expensive."

There was also an unhappiness with a politicisation of the debt management process. Analysts felt the government should be concentrating more of its energies on lowering the deficit, and less on lowering the interest costs of that deficit through, as Salomon Brothers called it, "a superficial reshuffling of Treasury debt priorities".

Patrick Harverson

GERMAN BONDS

View of bund market as 'safe haven' loses appeal

WITHIN a matter of weeks, investors' views on the attractions of the German bund market have soured appreciably.

It was only on April 14 that the yield on 10-year bunds dropped to 6.45 per cent, down from over 9 per cent in the summer of last year. This reflected enormous buying from primarily foreign investors.

Mr Klaus Holzschuh, head of fixed income research at Commerzbank in Frankfurt, calculates that foreigners invested DM190bn in the 14 months to the end of February this year – more than twice the level in 1991, the previous record year.

That wave of buying has not given way to massive selling. But enthusiasm for the long end of the market has dwindled and yields are back above 6.8 per cent and – if the pessimists are to be believed – are likely to drift up to 7 per cent over the course of the year.

The buying was inspired primarily by two factors: hopes of cuts in interest rates and perceptions that the D-Mark offered a "safe-haven" in times of political and economic uncertainty.

Ms Alison Cottrell, international economist at Midland Global Market Research in London, says the safe-haven argument has lost its appeal at a time when tensions within the ERM have eased.

She believes it will revive only if the Danes deliver a "no" vote in their referendum on the Maastrict treaty on May 18.

As for long-term interest rates, Ms Cottrell says they are now "so low that they cannot go any lower". With inflation running at over 4 per cent, real long-term rates are around 2.5 per cent.

Despite cautious words from Mr Helmut Schlesinger, Bundesbank president, and other members of the policy-making council, economists are convinced the severity of the German recession will prompt further sharp cuts in short-term rates over the rest of the year.

Although inflation is running at twice the Bundesbank's long-term target rate of 2 per cent, the central bank can camouflage its monetary easing by reference to money supply.

After enormous distortion caused by currency inflows last autumn and their aftermath, M3 broad money growth is likely to be within its 4.5 to 6.5 per cent target for the year. This will allow the Bundesbank to claim future inflation is being brought under control.

Mr Thomas Mayer, economist at Goldman Sachs, believes the central bank has "stepped up a gear" in its easing of monetary policy. It cut its discount and Lombard rates on April 22 – taking the crucial discount rate down 0.25 of a percentage point to 7.25 per cent – and delivered a sharp cut in the repo rate the following week.

The Bundesbank has made clear its determination that the German yield curve, which has for so long been steeply inverted, should normalise: that is, short-term rates should be lower than long-term rates.

It would like to achieve this by bringing down short rates and seeing long-term yields stay where they are rather than rise.

The latter would be a possibility if investors lost faith in the Bundesbank's ability to combat inflation over the long-term – or if they start to contemplate the implications of Germany's ballooning public sector debt, more details of which will emerge next week.

Economists now expect the discount rate to be down to 5 or 6 per cent by the end of the year. From an investment point of view, that means stay at the short end of the yield curve and avoid the longer end. Or abandon bunds altogether.

David Waller

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 8 3/8 96	200	104½		4.75
ABBEY NATL TREASURY 8 1/2 03	1000	98¾	+⅛	6.61
ABN 8 1/8 94	300	105¾		4.11
AETNA LIFE & CAS 7 3/4 18	300	100⅝		7.59
ALBERTA PROVINCE 8 5/8 99	750	111⅛	+⅛	5.11
ALBERTA PROVINCE 9 3/8 95	600	110⅞		4.58
AMERICAN EXPRESS 0 00	450	60¼	+⅝	6.90
AMERICAN GENERAL 9 3/4 95	100	109⅞	+⅛	4.78
AMERICAN INTL 0 04	705	46⅞	+⅝	6.95
AMOCO CANADA 7 1/4 02	250	105⅜	+¼	6.46
[illegible]				

	Issued	Bid price	Chg on week	Yield
SEARS O/S FIN ZERO 98	500	70⅝	+⅛	6.84
SEARS ROEBUCK EURO 9 3/4 95	500	109¼	+⅛	4.71
SKANDINAVISKA ENSK 7 3/8 97	500	104⅜	+⅛	6.02
SNCF 9 1/2 98	150	117⅛	+⅛	5.60
SPAIN 6 1/2 99	1500	103⅜	+½	5.89
STATE BK NSW 8 1/2 96	200	109⅜	+⅛	5.19
SWEDEN 5 1/2 95	2000	102⅞	+⅛	4.48
SWEDEN 8 1/2 03	2000	100⅝	+⅛	6.51
SWEDEN 9 1/4 98	350	115¼	+⅛	5.54
SWEDISH EXPORT 8 3/8 96	700	109⅜	+⅛	4.85
THYSSEN FINANCE 7 1/2 99	200	104⅞	+⅛	6.52
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	105		5.54
COUNCIL EUROPE 4 3/4 98	250	100½	-⅛	4.63
EIB 6 3/4 04	300	110½		5.48
ELEC DE FRANCE 7 1/4 06	100	112¼	-⅛	5.85
FINLAND 7 1/4 99	300	109½		5.45
GENERAL MOTORS 7 1/2 95	100	103	-1	5.79
HYUNDAI MOTOR FIN 8 1/2 97	100	100½		6.71
ICELAND 7 5/8 00	100	111		5.72
KOBE 6 3/8 01	240	110	-¼	4.87
NEW ZEALAND 4 7/8 99	200	99½		4.97
[illegible]				

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units. [illegible]
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]
WARRANTS: [illegible]

Closing prices on May 7

EUROBONDS

Brazilians go for funds at below domestic rates

BRAZILIAN banks and companies are flocking to the Eurobond market, eager to take advantage of the relatively attractive interest rates at which they can borrow.

So far this year, 22 Brazilian banks and companies havs issued Eurobonds, raising more than $1.4bn. In a rush to take advantage of what may be a short-lived opportunity, many more issues are plannsd, provoking fears among some analysts that a new debt bubble is being created.

Given that real interest rates fluctuate between 20 and 40 per cent per annum in Brazil, ths attraction of the Eurobond market to Brazilian borrowers is understandable.

Even though the Brazilians are paying the highest interest rates in the Eurobond market – with yield spreads at around 500 to 800 basis points over tha relevant US Treasury bond – at least they are able to raise funds at well below domestic interest rates.

For investors, it is a rare opportunity to earn 11 to 14 per cent per annum at a time when US interest rates are at an historic low.

When Brazil returned to the international capital markets two years ago with an issue by Petrobras, the paper was soaked up mostly by holders of *Latin American flight* capital who were familiar with the companies and were looking for a return above that being earned on their Swiss bank accounts.

Today, many of the buyers of Brazilian Eurobonds are institutional investors, devoting a small part of their portfolio to high-risk, high-return instruments.

"Increasingly we are seeing pension funds and insurance companies getting in on the act", says Mr Saulo Blauth, general manager of the international department of Banco do Brasil.

Ironically, Brazil's success in establishing itself on the Euromarkets is directly linked to its failure to implement economic reform which has resulted in higher risks and hence higher return compared with other Latin American paper.

For this, the Brazilians are paying a high price. During the first spate of issues in 1991-92, yield spreads fell from 700 basis points over US Treasury bonds to 300 basis points.

However, the Collorgate scandal and impeachment of President Fernando Collor in the second half of last year – combined with general concern among international investors about the large number of issues being prepared by Latin American names – shook the market and ultimately brought new issues to a halt.

This year, companies have been paying yield spreads of 700 basis points on bonds which generally carry a 2¼-year maturity, although Banco do Brasil recently placed a $100m, five-year deal at a yield spread of around 540 basis points.

According to Mr Blauth, "good companies are starting to get a better spread. Through aggressive selling we got 490 basis points over the US Treasury for Petrobras in March, but small companies are still paying (yield spreads of) 700 to 800 basis points."

He adds: "For top-notch companies like CVRD (the state mining company), it is absurd that they should be paying 400 to 500 basis points over the US Treasury, but for the company this is still very attractive compared with borrowing in Brazil."

Telebras, the telecommunications group, has bonds trading in the secondary market at around 460 to 480 basis points over Treasuries. Although spreads on Telebras bonds fell as low as 365 basis points last May, they subsequently widened again to over 500 basis points in the autumn before falling back to their current levels.

Merrill Lynch is expected to launch a new five-year issue for the group soon, and the market will be watching closely to see where the launch spread is set.

Unlike the first spate of issues, which were mostly by well-known Brazilian companies, the majority of recent issuers have been banks who can make hefty profits from on-lending the money to domestic customers who do not have the name or internal resources to launch Eurobond issues themselves.

"The main attraction for the banks is that they can borrow dollars at, say, 12 per cent, and then lend it on at 13 to 15 per cent," according to ons London-based Latin American analyst.

Aside from public offers, there have also been some private placements, particularly by Brazilian subsidiaries of multinationals. Shell recently placed $200m in export notes, and Alcoa and IBM did export securitisation operations for $100m and $150m respectively.

Mr Jose Luis Miranda, president of Banco InterAtlantico, comments: "This may be good for the microeconomy, but on a macrolevel it is terrible. If I was governor of the *central bank I would stop it*."

He points out the central bank is having to pay 20 per cent annual interest on the cruzeiros it issues while receiving only 3 per cent on the dollars it receives, thus provoking mounting domestic debt.

The risk of lending to such an unstable economy may be less than the 30 per cent monthly inflation rate suggests. Brazil has many world-class companies and its foreign exchange reserves are at an historic high of $23bn, making the chances of default minimal.

Mr Georg Lipsztein, a director of Banco Nacional which has issued $200m in Eurobonds, says: "Overseas investors know very well that with Brazil's level of reserves and top class companies their investment is sound. They are simply cashing in on the risk premium of Brazil."

Some analysts fear a problem may arise with lesser-known private companies if demand does not keep pace with expansion of productive capacity financed through Eurobonds.

But Mr Miranda believes this is unlikely, pointing out "most of this money is going to improve debt profile not for productive investments".

But the greatest risk lies with the mercurial character of President Itamar Franco and his dislike of financial markets. Moreover, there is no guarantee that the country's economic situation will improve.

In the meantime there are more issues coming up including Banco Mercantil, Banco Itamaraty, Villares and Banespa. Mr Blauth says "I think there is still space for a lot of issues but we need to take advantage of this window of opportunity because we don't know how long it will last."

Christina Lamb

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
CSFB Finance (Neths.)(a)‡	200	May.2003	(a)	100R	-	-	CSFB
Goldman Sachs Group(b)‡	100	May.2003	(b)	99.25R	-	-	Goldman Sachs Intl.
Daewoo Electronics Co.(c)§	70	Dec.2008	2.25	100	-	-	Baring Brothers & Co.
Citicorp(d)‡	50	Aug.2003	(d)	100R	-	-	Kidder, Peabody Intl.
Sincere Navigation Co.(g)§	36	May.2003	3.75	100	-	-	Barclays de Zoete Wedd
Finance for Danish Ind.(i)‡	100	May.1994	(i)	100.1R	-	-	Lehman Brothers Intl.
Nissan Intl.Fin.(Neths.)	100	May.1998	5.625	100R	5.625	-	IBJ International
IMI Bank Intl., Cayman(l)‡	100	Jun.1998	(l)	99.25R	-	-	Morgan Stanley Intl.
BASF Brasilera	40	May.1998	9.25	99.55R	9.367	+410 (5¼%-98)	Deutsche Bank London
D-MARKS							
Europäische Hypo.Lux.(l)‡	175	May.2003	(l)	100.95	-	-	Deutsche Bank
Eurofima	500	May.1996	6.25	101.35	5.930	-	Dresdner Bank
Europäische Hypo.Lux(m,l)‡	100	May.2003	(l)	101.2	-	-	Deutsche Bank
FRENCH FRANCS							
Kingdom of Spain	6bn	May.2008	7.5	97.06R	7.840	+44 (8½%-08)	CCF
Council of Europe	1.6bn	Sep.2000	7.25	99.89R	7.280	+35 (8½%-00)	Banque SG Warburg
Saint-Gobain Nederland	1bn	Jun.2000	7.5	99.788R	7.540	+60 (8½%-00)	BNP
Caisse Française de Dev.(n)	500	Jun.2003	3.75	99.41R	-	-	JP Morgan & Co.
STERLING							
Bradford & Bingley BS(e)‡	100	Nov.1998	(e)	100R	-	-	SG Warburg Securities
WestLB Finance Curaçao	150	Jun.2003	8.5	99.786R	8.533	+32 (8%-03)	CSFB
GECC	100	Dec.1998	7.5	99.448R	7.617	+45 (7¼%-98)	G.Sachs Intl./ BZW
SmithKline Beecham Capital	100	Jun.1998	7.75	99.52R	7.870	+64 (7¼%-98)	Lehman Brothers Intl.
CANADIAN DOLLARS							
Province of Newfoundland(o)	50	May.2003	8.75	98.9R	8.918	+128 (7¼%-03)	ScotiaMcLeod
Abbey Nat.Treasury Services	125	Dec.1998	7	99.3R	7.25	+60 (6½%-98)	Wood Gundy
ITALIAN LIRA							
European Investment Bank(f)‡	200bn	Mar.1996	(f)	100.05	-	-	San Paolo, Turin
Deutsche Bank Fin.Curaçao	200bn	Jun.1998	10.375	101.469	9.988	-	BAI (Deutsche Bk.Group)
KfW Intl.Finance(k)	75bn	May.1998	10.6	101.625	10.189	-	BCI/ JP Morgan Secs.
Swedish Export Credit	150bn	Jun.2000	10.75	99.75R	10.803	-	Credito Italiano
Deutsche Bk.Fin.Curaçao(p)	100bn	Jun.1998	10.375	101.557	9.965	-	BAI (Deutsche Bk.Group)
AUSTRALIAN DOLLARS							
Sth.Australian Gov.Fin.Auth.	100	Jun.2003	7.75	100.65	7.655	-	Hambros Bank
IRISH POUNDS							
European Investment Bank(q)#	50	May.2003	7.875	99.23R	7.988	+18 (9¼%-03)	Allied Irish Bank
SWISS FRANCS							
Aérospatiale	100	Jun.1998	4.75	101.875	4.325	-	Swiss Bank Corp.
Kingdom of Denmark*	250	Jun.1997	4.5	101.3	4.141	-	UBS
Deutsche Ausgleichsbank	200	Jun.2003	4.75	101.25	4.591	-	Banca del Gottardo
Seine et Marne	65	Jun.2003	5	102.8	4.644	-	Swiss Bank Corp.
City of Stockholm*	180	Jun.1998	5	102.625	4.404	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
SNCI, Luxembourg(h)	1bn	May.2003	zero	100	6.431	-	BGL
BCEE	1bn	Jun.2001	7.25	101.5	6.996	-	BCEE

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ¢With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Coupon pays 6-month Libor + 0.125%; minimum 5.875%, maximum 10%. b) Coupon pays 6-month Libor flat; minimum 5.375%, maximum 9%. c) Conversion price: Won14,400. Closing price: Won13,000. FX: 796.80Won/$. Puttable on 18/5/98 at 121.923%. Callable from 18/5/94 at par subject to 140% rule. d) Issue launched on 27/4/93 was increased to $250m. Coupon pays 3-month Libor + 0.125%; minimum 5.5%, maximum 10%. e) Coupon pays 3-month Libor + 0.15%. f) Fungible with L200bn launched in February. Coupon pays 3-month Libor - 0.25%. g) Conversion price: NT$47.56. FX: 25.9NT$/$. Callable from 26/5/98 subject to 140% rule. Puttable on 26/5/98 at 119.74%. h) Final redemption price: 198.5%. Puttable annually from May 26 to June 2. i) Coupon pays 3-month Libor flat. j) Coupon pays 7.75% fixed annual in the first 2 years and 12.625% - 6-month Libor thereafter. k) Issue launched on 21/4/93 was increased to L300bn. l) Coupon pays 6-month Libor + 0.375%. Callable at par on any interest payment date from Jun.1995. m) Issue launched on 5/5/93 was increased to DM275m. n) Denom.: FFr10,000 + 10 warrants to the 8% BTAN due May 1998. Re-offer ex-warrants: 75.81%. Price per warrant: FFr236. Exercise period: 16/6/93 - 29/ 6/94. Strike price: 6.3%. 100 warrants give entitlement to FFr1,000,000 of bonds. o) Fungible with the C$100m launched on 25/3/93. Plus 14 days accrued interest. p) Issue launched on 5/5/93 was increased to L300bn. q) Domestic issue. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Portfolio managers find comfort in precious metals

THE US jobless figures released last Friday offered little comfort to the world's gold bugs, who have been enthusiastically buying precious metals for weeks.

With manufacturing jobs in decline during April, and only small gains in the overall workforce, the inflation picture remains cloudy.

However indeterminate the immediate economic picture, portfolio managers seem willing to bet that the inflation rate will rise sooner or later, as reflected in the steep slope in the US Treasury bond yield curve.

That attitude has not been lost on the world's investment bankers, who are busy designing commodity-backed derivatives to serve as a form of inflation-backstop in diversified portfolios.

Riding the wave of Mr George Soros' well-publicised shift into gold options, five large banking houses have issued gold warrants in the past four weeks. Merrill Lynch was agile enough to issue silver warrants as well, much to the admiring chagrin of its close competitors.

Warrants differ from the usual put and call options in that they are issued for periods of one year or longer. Like an option, they allow the holder to buy or sell the underlying commodity at a given price and time.

Warrants do not require the day-to-day margin maintenance needed for exchange-traded futures and options, and, because they resemble securities, are acceptable to some portfolios that cannot trade other forms of derivatives.

Whether it was inflation-hedging, copy-cat admiration, or a bullish shift in the supply-demand situation for precious metals, issuers said the gold warrants – mostly calls – sold briskly, and followed the gold market higher most of last week.

Less easily marketed will be a series of new warrants to be issued in London today by Goldman Sachs. Each warrant represents one unit of the Goldman Sachs Commodity Total Return index, a barometer of mostly industrial commodity futures.

The firm says the index is more representative of the overall inflation situation than precious metals.

A glance at the components of the index make clear that the GSCI warrants will lack the appeal of gold. Oil prices, which have the heaviest weighting in the index, have been moving sideways. Farm products, particularly cereals, are flat, and prices for industrial metals, like copper and aluminium, have tumbled since January.

Since April 1, the GSCI Total Return index has fallen from 2,506 to 2,464, and a brief chat with a copper, aluminium, or maize producer will reveal that overcapacity and accumulating stocks will keep prices in those industries under pressure for some time.

Mr Neil Bresolin, executive director of commodity derivatives for Goldman Sachs, agrees the index price has been sagging, but argues that, regardless of its direction, it provides a strong inflation hedge.

"If the prices of all of these items go up, your business costs are going to go up," he says. The index, he says, has a strong correlation to the US consumer price index, and a strong negative correlation to US bond prices.

A portfolio manager scanning the inflation horizon might do well to question why precious metals are rallying as an industrial commodities index sags. Take out the threat of war, unstable currencies, or outright speculation, it simply may be the supply-demand picture for precious metals is brightening.

Silver, for example, has been subject to a supply glut and a steady price slide since the Hunt Brothers' silver bubble burst in 1980.

Prices moved below production costs in most of the Americas, forcing many mines to close or reduce output. Silver is often mined as a by-product of copper, and as copper prices drop, those mines are also expected to cut production.

At the same time, historically low prices have stimulated world demand.

In the past three months, spot silver prices have risen 25 per cent, from $3.50 per ounce to $4.35. But the rally is likely to stall when prices hit $5, the level US producers need to reopen mothballed mines.

Laurie Morse

THE WEEK AHEAD

ECONOMICS

Attention focuses on UK inflation

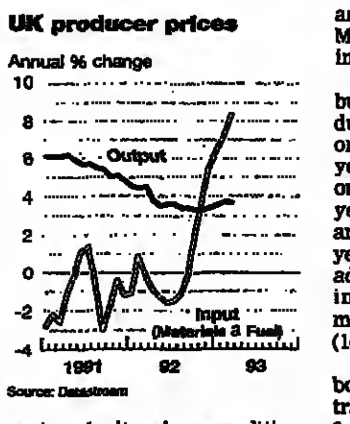
ATTENTION returns to UK inflation this week with today's release of the April producer prices index.

Input prices have shot-up since the pound was devalued last autumn, putting pressure on manufacturers' profit margins. So far, however, industry appears to have absorbed most of the price increases for fuel and raw materials. This is reflected in the relative stability of the prices of goods leaving factory gates. Output price inflation has remained stable at a rate of around 3.5 per cent since the end of last year.

Economists have forecast some upwards movement in the output prices index for April as the increase in excise duties of the March hudget, and higher food prices feed through. Input prices may ease slightly, reflecting sterling's appreciation during April.

Producer price inflation figures are also due out in the US. Prices are expected to have slowed quite sharply last month, following reductions in tobacco prices and air fares. To some extent these factors will be offset by higher prices for most agricultural commodities.

UK producer prices



Source: Datastream

The release in Spain of quarterly unemployment survey data later this week, is unlikely to provide much comfort for the hard-pressed government. In the fourth quarter of last year the survey showed that 20 per cent of the labour force was unemployed. Most economists expect the new figures to show a small rise.

The following are some of the week's other economic highlights. The figures in brackets are the median of analysts' forecasts, supplied by MMS International, a financial information company.

Today: UK, March credit business (up £90m); April producer prices index – input (flat on month, up 7.7 per cent on year), output (up 0.5 per cent on month, up 3.9 per cent on year), excluding food, drink and tobacco (up 2.7 per cent on year). Norway, April CPI. Canada, March new housing price index (up 0.1 per cent on month); April housing starts (160,000 units).

Tomorrow: US, Johnson Redbook week ended May 8. Australia, March retail trade (up 0.4 per cent on month, up 0.7 per cent on quarter).

Wednesday: US, April PPI (up 0.2 per cent), excluding food and energy (up 0.2 per cent), Atlanta Fed Index. Canada, April lead indicator (up 0.3 per cent on month). Australia, April employment (down 20,000). unemployment rate (11.1 per cent).

Thursday: France, April CPI (up 0.3 per cent on month, up 2.3 per cent on year). Spain, April CPI (Up 0.3 per cent on month, up 4.4 per cent on year). Sweden, April CPI. Norway, April trade excluding ships and oil-platforms. US, April retail sales (up 1.2 per cent), excluding auto sales (up 0.8 per cent), CPI (up 0.2 per cent), excluding food and energy (up 0.2 per cent), real earnings; initial claims for week ended May 8 (346,000), state benefits week ended May 1; money supply data for week ended May 3, April money supply data, M1 (up $7bn), M2 (up $4.1bn), M3 (up $6.9bn).

Friday: US, April industrial production (up 0.3 per cent), capacity utilisation (80 per cent); March business inventories (up 0.5 per cent). Canada, March motor vehicle sales (up 6 per cent on month).

During the week: Germany, April cost of living index, WPI (flat on month); February current account; March retail sales (down 4 per cent on year). Netherlands, April CPI (up 0.4 per cent on month, up 2.2 per cent on year). Spain, Q1 unemployment rate (20.8 per cent), April rate (17 per cent); March PPI. Japan, April WPI.

Emma Tucker

RESULTS DUE

BRITISH Telecommunications is expected to report on Thursday a drop in pre-tax profits for the year ended March to about £2.5bn from £3bn a year earlier. The fall will be, however, after redundancy payments of about £500m and exceptional costs of around £200m for restructuring, redemption of bonds and other items. Underlying profit growth last year was therefore around 2 to 3 per cent. Inland call volumes rose, helping to offset lower tariffs. Further redundancy costs are expected this year with the market looking for profits in the £3.2bn-£3.5bn range.

J Sainsbury, the food retailer, is forecast to report on Wednesday a hefty increase in pre-tax profits for the year ended March to around £740m from £628m a year earlier. Unlike Tesco it has managed to maintain its growth momentum on sales volume while retaining a grip on costs.

Grand Metropolitan is expected to report first half pre-tax profits of £400m to £413m on Thursday, 2 to 3 per cent ahead of last year's result, excluding exceptionals. Trading profits from the IDV spirits business will be boosted by currency translation but the favourable exchange rate is unlikely to compensate entirely for lower dollar profits from US food operations.

Royal Dutch Shell group will announce its first quarter results on Thursday with analysts forecasting a wide range of income figures of between £600m and £800m on a replacement cost basis which strips out stockholding losses and gains. The company reported a profit of £770m in the same period last year, but this was buoyed by one-off exceptional items. The results will signal how successful the company has been at cutting costs and maintaining its profits against a background of falling oil prices and deteriorating sales margins.

Body Shop is forecast to report on Wednesday a drop in pre-tax profits for the year to February of about 20 per cent to around £20m. While international expansion continues apace, UK prices and margins have slipped and volume growth has faltered.

PARLIAMENTARY DIARY

■ **TODAY**
Commons: Questions to National Heritage Secretary and Chancellor of the Duchy of Lancaster. Finance Bill, committee. National Health Service orders.
Lords: Education Bill, committee. Maximum Number of Judges Order. Civil Legal Aid (Scope) Regulations.
Select committees: 4.30pm, public accounts – subject: works services. Witness: Mr Richard Packer, permanent secretary, ministry of agriculture, fisheries and food (room 16).

■ **TOMORROW**
Commons: Education questions. Questions to the Prime Minister. Finance Bill, committee. Sea Fish Licensing (Time at Sea) (Principles) Order.
Lords: Statute Law Repeals Bill, second reading. Housing and Urban Development Bill, report. Protection of Animals (Scotland) Bill, committee. Disabled Persons (Services) Bill, committee.
Select committees: 10.30am, Social security – subject: the operation of pension funds. Witnesses: British association of colliery management; representatives of the trustees of the British Coal staff superannuation scheme (room 15).

■ **WEDNESDAY**
Commons: Foreign Office questions. Finance Bill, committee.
Lords: Debates on wealth creation and the impact of new technologies and Tibet.
Select committees: 10.30am, Health – subject: community supervision orders. Witnesses: mental health act commission; royal college of psychiatrists (room 15).
10.45am, Welsh affairs – subject: rural housing. Witnesses: Dyfed county council; Pembrokeshire coast national park (room 6)
4pm, Agriculture – subject: effects of conservation measures on the UK sea fishing industry (room 21).
4pm, Transport – subject: London bus deregulation. Witnesses: Mr Roger Freeman, minister of state for transport; Mr Steven Norris, transport under secretary (room 15)
4.15pm, Employment – subject: management of redundancies. Witnesses: Lord Alexander of Weedon, chairman National Westminster bank; Mr Leif Mills, general secretary, Banking Insurance and Finance Union (room 20).
4.15pm, Environment – subject: Department of the Environment, property holdings and PSA estimates 1993-94 and DOE annual report 1993. Witnesses: Department of the Environment; property services agency. (room 7).
4.15pm, Environment – subject: energy efficiency in buildings. Witnesses: Association for the Conservation of Energy (room 7).
4.15pm, Public accounts – subject: combating organised fraud attacks on the benefit system. Witnesses: Sir Michael Partridge, permanent secretary, Department of Social Security; Mr Michael Bichard, chief executive, benefits agency (room 16).
4.45pm, Science and technology – subject: the routes through which the science base is translated into innovative and competitive technology. Witnesses (to be announced) (room 17).
4.45pm, Home affairs – subject: juvenile offenders. Witnesses: standing committee for youth justice and national intermediate treatment federation (room 8).
5pm, Treasury and civil service – subject: role of the Bank of England. Witness: Professor Sir Charles Goodhard (London School of Economics) (room 6).

■ **THURSDAY**
Commons: Home Office questions. Questions to the Prime Minister. Non-domestic Rating Bill, remaining stages. Reinsurance (Acts of Terrorism) Bill, all stages.
Lords: Education Bill, committee. Fire Services (Amendment) (Northern Ireland) Order. Family Law (Northern Ireland) Order. Family Law (Northern Ireland Consequential Amendments) Order.

■ **FRIDAY**
Commons: Backbench business – Noise and Statutory Nuisance Bill, report and Shops (Amendment) Bill, report.
Lords: Not sitting.

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Argos, CBI Conference Centre, Centre Point, W., 11.15
Henderson Highland Trust, 3 Finsbury Avenue, EC., 12.15
JIB Group, 25 Copthall Avenue, EC., 12.15
Mallett, 141 New Bond Street, W., 10.00
Merchants Trust, 10 Fenchurch Street, EC., 12.30
Northern Engineering Inds., NEI House, Regent Centre, Newcastle-upon-Tyne, 10.00
Olim Convertible Trust, Pollen House, 10-12 Cork Street, W., 12.30
Scottish Eastern Inv. Trust, Saltire Court, 20 Castle Terrace, Edinburgh, 12.00
Second Market Inv., Norfolk House, 13 Southampton Place, WC., 10.00
BOARD MEETINGS:
Finals:
Donelon Tyson
Parkland Textile
PEX
Sketchley
Walker (J.C.)
Interims:
API
Sidlaw

■ **TOMORROW**
COMPANY MEETINGS:
Associated British Ports, Ironmongers Hall, Shaftesbury Place, EC., 12.00
British Polythene Inds., 96 Port Glasgow Road, Greenock, 12.00
Candover Invs., The Howard Hotel, Temple Place, WC., 12.00
Christies Intl., 8 King Street, St James', SW., 12.00
Clyde Petroleum, Glaziers Hall, 9 Montague Close, London Bridge, SE., 12.00
Evans Halshaw, Evans Halshaw Nissan, Waterlings Motor Village, Rocky Lane, Aston, Birmingham, 12.00
Marley, London Road, Riverhead, Sevenoaks, Kent, 12.00
Mersey Docks & Harbour, The Atlantic Tower Hotel, Chapel Street, Liverpool, 12.00
Rentokil, Felcourt, East Grinstead, W.Sussex, 11.00
Roskel, Painters Hall, 9 Little Trinity Lane, EC., 12.00
Smith & Nephew, Grosvenor House Hotel, Park Lane, W., 11.00
Sykes-Pickavant, Clifton Arms Hotel, Lytham St. Annes, Lancs., 12.00
UniChem, UniChem House, Cox Lane, Chessington, Surrey, 10.00
United Newspapers, Stationers Hall, Ave Maria Lane, EC., 11.00
Wilson Bowden, Grand Hotel, Granby Street, Leicester, 12.00
BOARD MEETINGS:
Finals:
Contra-Cyclical Inv. Tst.
Finsbury Trust
Interims:
Avon Rubber
Glasgow Income Tst.
Holmes & Marchant
Huntingdon Intl.
Scottish Value Tst.
Vaux

■ **WEDNESDAY MAY 12**
COMPANY MEETINGS:
BPP Hldgs., BPP House, Aldine Place, 142-144 Uxbridge Road, W., 11.30
Bensons Crisps, Grand Hotel, South Promenade, Lytham St. Annes, Lancs., 12.00
Canning (W.), 133 Great Hampton Street, Birmingham, 12.00
Croda Intl., Balmoral Hotel, Princes Street, Edinburgh, 12.00
Gardiner Group, 7 Birchin Lane, EC., 10.30
Guardian Royal Exchange, Chartered Accountants Hall, Moorgate Place, EC., 12.00
Linread, The Birmingham Chamber of Industry & Commerce, 75 Harborne Road, Birmingham, 12.00
LWT (Hldgs.), The London Television Centre, Upper Ground, SE., 2.30
Richardsons Westgarth, 55, Colmore Road, Birmingham, 10.30
Sherwood Group, Donington Thistle Hotel, East Midlands Airport, Castle Donington, Derby, 12.30
Simon Engineering, Holiday Inn Crowne Plaza, Midland Hotel, 16 Peter Street, Manchester, 12.00
TI Group, Glaziers Hall, 9 Montague Close, London Bridge, SE., 12.00
United Biscuits, Assembly Rooms, George Street, Edinburgh, 12.00
BOARD MEETINGS:
Finals:
Bank of Ireland
Body Shop Intl.
British Telecom
Fine Art Dev.
I & S UK Smaller Co's
Sainsbury (J.)
Whitbread Inv.
Interims:
Bibby (J.)
Chemex Intl.
Greenalls
Jessups

■ **THURSDAY MAY 13**
COMPANY MEETINGS:
Arcolectric (Hldgs.), 61 Central Avenue, West Molesey, Surrey, 11.00
Astec (BSR), Painters Hall, Little Trinity Lane, EC., 11.00
Blenheim Group, Dorchester Hotel, Park Lane, W., 9.00
Bluebird Toys, Dragonparc, Abercanaid, Merthyr Tydfil, Mid-Glamorgan, 12.15
Bowater, Merchant Taylors Hall, Threadneedle Street, EC., 11.00
Cattle's (Hldgs.), Willerby Manor Hotel, Well Lane, Willerby, Hull, 12.30
EW Fact, 23 Hand Court, WC., 12.00
Edinburgh Fund Managers, Donaldson House, 97 Haymarket Terrace, Edinburgh, 12.30
Enterprise Oil, Glaziers Hall, 9 Montague Close, London Bridge, SE., 11.00
Evered Bardon, Savoy Hotel, Savoy Place, WC., 10.30
Fisher (James), Lisdoonie Hotel, Abbey Road, Barrow-in-Furness, 12.00
Gaskell, Walton House, Syke Side drive, Altham, Lancs., 10.30
Harrisons & Crosfield, Chartered Accountants Hall, Moorgate Place, EC., 12.00
Jacobs (John I.), Churchill Intercontinental Hotel, Portman Square, W., 10.30
MB-Caradon, Plaisterers Hall, London Wall, EC., 12.00
Rutland Trust, Rutland House, Rutland Gardens, SW., 12.00
Shell Transport & Trading, Queen Elizabeth II Conference Centre, Broad Sanctuary, SW., 11.30
Vinten Group, The Brewery, Chiswell Street, EC., 12.00
Wilkes (James), Albert Works, Penistone Road, Sheffield, 12.00
BOARD MEETINGS:
Finals:
Attwood New Thai
British Telecommunications
Capital House Intl. Growth
Finlay (J.)
London Atlantic Inv.
Personal Assets Tst.
Warner Howard
Interims:
Grand Metropolitan
PWS

■ **FRIDAY MAY 14**
COMPANY MEETINGS:
Barr & Wallace Arnold Trust, Leeds Hilton Hotel, Neville Street, Leeds, 12.00
British Dredging, Royal Hotel, St. Mary Street, Cardiff, 12.00
Britannic Assurance, 53-57 Wake Green Road, Moseley, Birmingham, 12.00
Broadcastle, Room 533 Salisbury House, London Wall, EC., 12.00
Burmah Castrol, Glasgow Hilton Hotel, Williams Street, Glasgow, 11.30
Consolidated Venture Trust, 30 Queen Anne's Gate, SW., 9.30
Forward Technology, Brewers Hall, Aldermanbury Square, EC., 12.00
Gibbs & Dandy, Chiltern Hotel, Waller Avenue, Luton, Beds., 11.00
Global Group, 16, Bedford Street, Covent Garden, W., 10.30
Hornby Group, The Great Danes Hotel, Hollingbourne, Maidstone, Kent, 11.00
P & P, Todd Hall Road, Carrs Industrial Estate, Haslingden, Rossendale, Lancs., 10.00
Pearson, Millbank Tower, Millbank, SW. 12.00
BOARD MEETINGS:
Finals:
Appleby Westward
Berry Birch & Noble
Brit. American Film
Sleepy Kids
Value & Income Tst.
Interims:
Chiltern Radio
Foreign & Col. Eurotrust
Mining & Allied Supplies
Morgan Grenfell Inc. Tst.
Northern Indl. Improvement
Overseas Inv. Tst.
Tadpole Technology

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey National 7.7p
Admiral 3.7p
American Express $0.25
Banco Central Hisp. Pta100
Bank of Montreal Realty 6¾% Nts. 1996 C$475
Bristol & West Bldg. Society Fltg. Rate Nts. 1994 £155.65
British Vita 3.65p
Christiania Bank og Kreditkasse Primary Cap. Undated Fltg. Rate Nts. $195.90
Church & Co. 3.5p
Clarke (T.) 2.81p
Commerzbank DM10
Cosmos Sec. Fltg. Rate Nts. Y1,416,438
CU Environmental Tst. 0.8p
Holders Technology 4p
Hydro-Quebec Fltg. Rate Nts. Ser. FV. 2006 $282.76
Invergordon Distillers 4.2p
Johnson Press 4p
Kleinwort Benson 10.7p
Nichols (J.N.) (Vimto) 6.5p
Nippon Paper Inds. 6.3% Nts. 1997 Y600,000
Nippon Telegraph & Tel. 10½% 2001 £106.75
P & O Steam Navigtn. 6% Cv. Bds. 1st Ser. 1989 $150
Do. Tranche B Y1,416,438
Salisbury (J.) 8¾% 1998 $425
Santander Fincl. Issuances 7½% Sub. 1996 (with Wrts.) $375
Do. 7¼% Sub. 1996 (without Wrts.) $378
Scholes 1.6p
Sterling Publishing 0.9p
Sumitomo Metal Inds. 7¼% 2001 Y712,500
WSP 0.9p

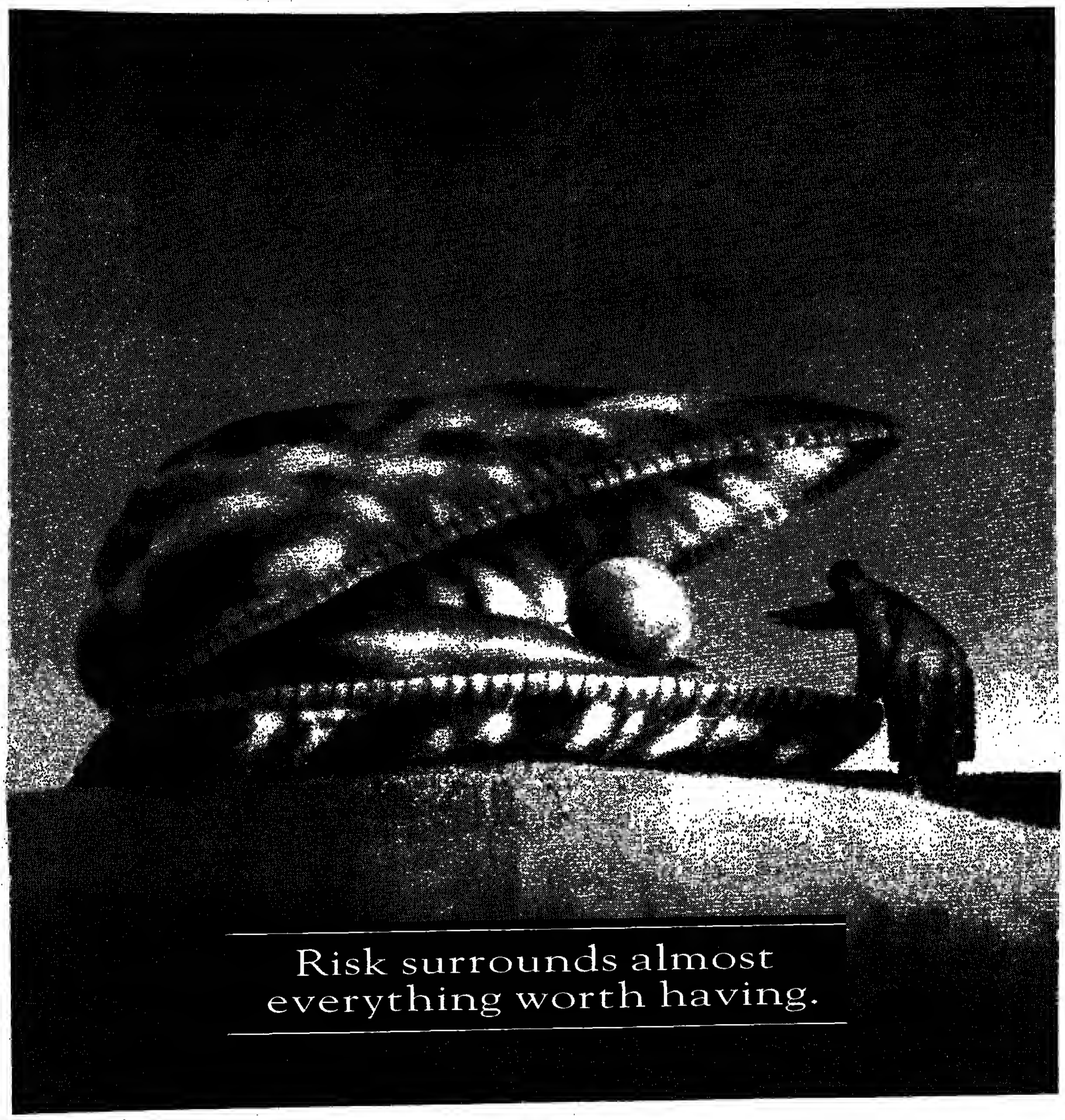
■ **TOMORROW**
Atlas Copco A SKr8
Do. B SKr8
Bergesen A NKr1
Do. B Non-vtg. NKr1
Carlo 4.2p
Henderson Highland 1.4p
Law & Bonar 6.4p
Mediterranean Fund 50.63
Nippon Express 6% 1999 Y600,000
North Housing Assoc. 8¾% Gtd. Ln. 2037 £4.375

■ **WEDNESDAY MAY 12**
Christies Intl. 1p
Collateralised Mortgage Secs.(No.12) Class B Fltg. Rate Nts. 2028 £208.80
Enterprise Oil 10% 1993 £100
Fujitsu 3⅝% 1993 (with Wrts.) $387.50
Do. 3¾% 1993 (without Wrts.) $387.50
Gresham Telecomptg. 0.25p
Natl. Westminster Var. Rate Cap. 2008 $97.65
[illegible] Bank Bearer Shs £15
Pepsico 7⅝% Nts. 1998 $368.75
Rentokil 1.57p
Standard Chartd. Undated Primary Cap. Fltg. Rate Nts. (Ser.2) $201.11
Sumitomo Bank Intl. Fin. Gtd. Fltg. Rate Nts. 2000 $86.53

■ **THURSDAY MAY 13**
Appleyard 2.5p
Assoc. British Ports 5.25p
Gardiner 0.19p
Inv. Trust of Guernsey 1.56p
Kode Intl. 4p
Lambert Howarth 8.75p
Pittard Garnar 1.5p

■ **FRIDAY MAY 14**
Armour Trust 0.3465p
Barclays 5p
Bensons Crisps 2.15p
BOC 5¾% 1996 £408.25
Brit. Bldg. & Eng. Appliances 2.5p
Cattle's 2.8p
Edinburgh Fund Managers 8.5p
Evans Halshaw 7.85p
Fisher (James) 0.5p
Gates (LG) 4¾% Pd Db £2.125
Kleinwort Dev. Fund 2.75p
Macallan-Glenlivet 0.615p
Manders 6.4p
Mersey Docks & Harbour 5p
Natl. & Provincial Bldg. Soc. 10% Nts. 1997 £1,000
North Sea Assets 1p
Personal Assets Tst. 95p
Rugby 3.8p
Second Market Inv. 4.3p
Servomex 4p
Sheffield Insulations 3.6p
Thornton Pan-Euro. Inv. 1p
TIP Europe 0.4p
Trace Computers 0.55p
Trafford Park Ests. 0.85p
Victaulic 5.3p
[illegible] 1p

■ **SATURDAY MAY 15**
Abbott Laboratories $0.17
Alliance Tst. 4½% Pf. £2.25
Do. 4¼% Exch Ln 1995 £2.125
Barclays Bank 8¾% Un Cap Ln '86/93 £4.125
Do. 16% Un Cap Ln '02/07 £8
Birmingham Dist. Council 11½% Rd. 2012 £5.75
Burndene Invs 15% Un Ln '07/12 £7.50
Foreign & Colonial Smaller Co's. 6% Cm. Pf. £2.10
Forth Ports Authority 3¾% Funded Debt. £1.875
Glasgow Corp 3½% Irred £1.75
Do. Gas 6¾% Annuity (Perp) £3.375
Do. Gas 9% £4.50
Do. Water Annuities 50p
Do. Waterworks Funded Debt. 3½% £1.75
Do. Waterworks Funded Debt. 4% £2
Glaxo ADR $0.287
Hambros Inv Tst 5% Cm Pf 1.75p
Inter-Amer. Dev. Bank 9¾% Ln. 2015 £4.875
Ipeco 2.3p
NOVA Cp of Alberta C$0.06
P & P 0.7p
Royal 8½% Sec. Nts. Ser. AW 1993 C$95
Scot. American Inv 4% Irrd Db £2
Scot. Eastern Inv 4% Perp Db £2
Do. 4% Db £2
Scot. Natl. Tst 4½% Db Irrd £2.25
Seagram 7% Sub Db 1993 $70
Second Alliance Tst 4½% Db £2.25
Securities Tst. of Scot. 7% Db '88/93 £3.50
TSB Gilt Fund Ptg. Rd. Pf. 2.25p
UK 9¾% Cv. 2006 £4.875
Do. 10% Cv. 1996 £5
Do. 13¼% Exch Ln 1996 £6.625
Do. 12¾% Treas Ln 1995 £6.375



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LEAD FROM STRENGTH.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close May 7

Quotations in cents unless marked $

INDICES

NEW YORK

DOW JONES	May 7	May 6	May 5	May 4	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3437.10	3441.90	3449.10	3446.19	3478.61 (16/4)	3241.95 (20/1)	3478.61 (16/4/93)	41.22 (2/7/32)
Home Bonds	107.67	107.43	107.49	107.51	107.67 (7/5)	103.49 (11/1)	501.67 (27/4/63)	54.99 (1/10/81)
Transport	1571.48	1580.35	1575.71	1593.04	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	241.24	242.30	241.99	241.36	247.68 (16/4)	217.14 (2/1)	247.88 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3468.47 (3475.67) Low 3413.87 (3418.93) (Theoretical♣)
Day's High 3446.05 (3454.35) Low 3427.78 (3429.13) (Actual♣)

STANDARD AND POOR'S

	May 7	May 6	May 5	May 4	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	442.31	443.28	444.52	444.05	456.33 (11/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	509.12	509.31	510.81	509.03	524.93 (10/3)	496.48 (26/4)	524.93 (10/3/93)	3.62 (21/6/32)
Financial	42.77	43.22	43.33	43.87	46.67 (13/4)	39.83 (2/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	244.68	245.22	245.72	245.23	251.36 (10/3)	238.21 (3/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	426.06	428.95	425.89	424.76	426.95 (6/5)	395.84 (8/1)	426.95 (6/5/93)	29.31 (9/12/72)
NASDAQ Composite	681.44	680.04	683.26	678.16	708.85 (4/2)	645.87 (25/4)	708.85 (4/2/93)	54.87 (31/10/72)

	Apr 30	Apr 23	Apr 16	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.01	3.04	2.79
	May 5	Apr 28	Apr 21	year ago (approx.)
S & P Industrial div. yield	2.52	2.56	2.54	2.61
S & P Indl. P/E ratio	26.22	25.77	25.82	28.29

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Royal Dutch	6,304,500	88¾	-½
Philip Morris	6,199,600	51	+1⅞
RJR Nabisco	5,886,200	5¼	+⅛
West Elec	5,258,500	15⅞	+⅝
Wal-Mart	4,977,800	28¼	-⅜
Humana	4,175,600	9⅜	-¼
Borden	3,349,160	21⅛	-¾
Unilever	2,866,500	111⅞	-⅞
Stench (EW)	2,558,000	19¼	—
Walt Disney	2,105,200	38¾	+¼

TRADING ACTIVITY

† Volume (Millions)	May 7	May 6	May 5
New York SE	223.405	254.388	270.964
Amex	16.497	18.512	18.131
NASDAQ	(u)	280.215	289.150
NYSE			
Issues Traded	2,474	2,506	2,500
Rises	959	939	1,104
Falls	855	939	771
Unchanged	660	628	625
New Highs	72	106	80
New Lows	15	15	24

CANADA TORONTO

	May 7	May 6	May 5	May 4	1993 HIGH	1993 LOW
Metals & Minerals	2877.28	2899.24	2917.63	2907.89	2972.25 (3/2)	2743.31 (21/1)
Composite	3779.06	3794.74	3788.80	3779.20	3794.74 (6/5)	3275.80 (21/1)
MONTREAL Portfolio	1882.66	1890.04	1882.49	1877.10	1890.04 (6/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

*Saturday May 1: Taiwan Weighted Price 4,501.80, Korea Comp Ex. 717.68.
♥ Subject to official recalculation. †-Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday May 7 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Oil	20.1m	888	+10
Mitsui Mn & Sm	19.5m	550	+6
Mitsubishi Hvy	16.7m	734	+17
Sumitomo Mt Mn	14.8m	1,880	+10
Asid Corp	14.7m	601	+16
Kansai Elec	12.4m	1,360	+00
Nikko Kyodo	8.2m	880	+7
NEC Corp	6.0m	1,030	
Kumagai Gumi	5.9m	599	+44
Nippon Yusen	5.8m	860	-7

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 291910. Enq: 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
European Growth	6	60.33	60.60xd	64.46	1.10	4064
High Income	5	254.8	258.4xd	274.8	4.60	4067
(Accum Units)	5	442.1	448.2	476.8	4.60	[illegible]
Intl Bond	5	63.18	63.19xd	66.43	5.54	[illegible]
Intl Equity Growth	6	88.10	88.12xd	62.60	0.60	[illegible]
North American Equity	3	60.11	60.45	61.56	0.61	4062
Special Sits Growth	5	10.66	10.55	10.78	2.17	4081
UK Growth	6	319.3	321.4xd	341.9	2.83	[illegible]
(Accum Units)	5	402.4	405.1	430.9	2.83	[illegible]

MW Investment Managers Ltd (0659)F
48 Court St, Haddington, E. Lothian 062-082 5867

MW Joint Investors	0	1136.1	1136.15	1167.0	4.5	[illegible]

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

Maldon General	0	124.4	124.4xd	128.5	4.53	[illegible]

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

NPI American Acc	5½	99.87	100.10	107.16	0.00	4103
NPI American Dist	5½	92.41	92.72	99.17	0.00	[illegible]
NPI European Acc	5½	81.64	82.02	87.72	0.16	4104
NPI European Dist	5½	79.11	79.28xd	84.79	0.16	[illegible]
NPI Far East Acc	5½	142.9	143.1	153.0	0.00	4180
NPI Far East Dist	5½	139.8	140.7	150.5	0.00	[illegible]
NPI Global Dist	5½	62.01	62.36	66.70	1.84	[illegible]
NPI O'seas Acc	5½	1095.6	1099.8	1173.1	0.69	[illegible]
NPI O'seas Dist	5½	845.1	848.0	904.8	0.69	[illegible]
NPI UK Acc	5½	662.6	665.0	604.3	2.57	[illegible]
NPI UK Dist	5½	295.0	296.2xd	218.8	2.57	[illegible]
NPI Extra Inc Dist	5½	65.00	65.87	70.45	4.04	[illegible]
NPI UK Spec Opp Acc	5½	73.88	74.49	79.67	2.06	[illegible]
NPI W'wide Acc	5½	93.62	93.62	99.64	0.00	[illegible]
NPI W'wide Dist	5½	80.31	80.31xd	85.89	0.00	[illegible]
NPI W'wide Inc Dist	5½	55.01	55.46xd	59.30	2.33	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of UK intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ *Life Assurance and Unit Trust Regulatory Organisation,*
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F

12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Cash	1	49.58	49.59xd	50.09	8.5	4576
Capital Prfrance	5½	55.30	55.65	58.38	8.0	4875
Ethical	5¼	51.34	52.33	55.67	4.0	4046
European Growth	5½	55.88	56.24	59.96	3.0	4071
Income	5½	50.81	51.81xd	54.73	6.9	4134
Intl Growth	5½	71.13	77.65xd	82.82	2.6	4136
Managed	5½	68.25	68.97	73.58	3.6	4138
UK Growth	5½	54.75	55.35	59.03	4.8	4137

Funds in Court*

	Bid Price	Offer Price	Yield Gross	City-Line
Capital Apr 1	549.89	554.12	6.73	40505
Gross Apr 1	207.20	208.87xd	10.10	40506
High Yield Apr 1	333.76	336.39	7.73	40507

*Restricted to monies under Court control

Gowett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Managed Exempt	105.12	109.34	3.33	43449

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Pensions Mngd	58.82	61.07xd	6.70	40876

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-Line
Intl Mngd P'Folio†(1000-1)	£1.4390	1.5330	–	46984
Mngd Pens (Acc)	[illegible]	0.8980	–	41007
UK Core	[illegible]	1.0100	–	43452

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Property May 4	£1900.0	2100.0	7.90	40777
Inc Gth Prp Feb 3	£1200.0	1400.0	8.90	40778

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Life Funds

	Bid Price	Offer Price	Yield Gross	City-Line
Fixed Int. Dep. Acc.	353.9	372.6	–	41723
Equity Acc	1198.8	1261.7	–	41724
Property Acc	467.9	492.6	–	41725
Far East Acc	247.5	260.6	–	41726
European Acc	30.6	32.3	–	41727
Managed Acc	926.3	975.1	–	41728
O'seas Earnings Acc	811.2	853.9	–	41730
Gilt Edged Acc	429.2	451.8	–	41731
American Equity Acc	671.9	707.2	–	41732
American Man Acc	289.1	304.4	–	41733
American Prop Acc	110.8	116.7	–	41734

INSURANCES

OTHER UK UNIT TRUSTS

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Provident Mutual Life Asso. Assn. - Contd.

	Bid Price	Offer Price	Yield Gross	City-Line
Pension Funds				
Managed Ord	535.0	563.2	-	43498
Managed Init	376.8	396.8	-	43499
Equity Ord	635.5	670.0	-	43500
Equity Init	586.7	617.6	-	43501
Pen Ind Lkd Gilt Ord	217.7	229.2	-	43502
Pen Ind Lkd Gilt Init	161.4	169.9	-	43503
Overseas Equity Ord	374.6	394.6	-	43504
Overseas Equity Init	280.1	290.1	-	43505
Property Ord	[illegible]	301.4	-	43506
Property Init	203.3	214.0	-	43507
Fixed Interest Ord	332.4	349.9	-	43508
Fixed Interest Init	236.0	248.4	-	43509
Deposit Ord	286.2	301.3	-	43510
Deposit Init	203.1	213.8	-	43511

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	Yield Gross	City-Line
Prufund				
Managed May 5	298.5	308.0	-	43512

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3201

	Bid Price	Offer Price	Yield Gross	City-Line
Prudential Managed Funds				
Discretionary Apr 28	£224.59	231.39	-	43539
Equity Apr 28	£251.64	260.40	-	43540
International Apr 28	£37.01	38.01	-	43541
Intl Bond Apr 28	£19.45	19.70	-	43542
Fixed Int Apr 28	£121.28	122.70	-	43543
Index Linked Apr 28	£80.92	90.04	-	43544
Property Apr 28	£109.58	115.88	-	43545
Cash Apr 28	£33.28	33.28	-	43546
Pre-Linked Retirement Plan				

Scottish Amicable - Contd.

	Bid Price	Offer Price	Yield Gross	City-Line
Pension Funds				
Building Society	172.7	181.8	-	43874
Managed (Init)	228.1	240.2	-	43872
Managed (Acc)	449.2	472.9	-	43873
Equity (Init)	256.6	270.2	-	43862
Equity (Acc)	505.4	532.0	-	43863
Property (Init)	143.4	151.6	-	43868
Property (Acc)	282.4	297.3	-	43869
International (Init)	228.1	240.2	-	43866
International (Acc)	449.2	472.9	-	43867
Fixed Interest (Init)	220.1	231.7	-	43864
Fixed Interest (Acc)	433.3	456.2	-	43865
Cash (Init)	154.1	162.3	-	43870
Cash (Acc)	303.7	319.7	-	43871
Others				
Capital Guarantee Bond	97.6	102.2	-	44339

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9181

	Bid Price	Offer Price	Yield Gross	City-Line
Mixed	218.0	229.5	-	43875
UK Equity	209.6	220.6	-	43876
International	218.6	230.1	-	43877
American	224.2	236.0	-	43878
European	204.7	215.5	-	43879
Japan	236.0	248.4	-	43880
Pacific	301.1	316.9	-	43881
Technology	283.7	298.6	-	43882
Fixed Interest	166.2	174.5	-	43883
Indexed Linked	149.1	156.9	-	43884
Foreign Bond/Currency	212.7	223.9	-	43885
Cash	171.070	180.916	-	43886

Sun Alliance Group - Contd.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-Line
Barclays Intl Funds				
Asian Selection Funds				
China	$9.579	10.083	0.0	-
Hong Kong	$28.539	30.041	0.4	44544
Indonesia	$2.280	0.737	0.0	44686
Korea	$11.038	11.619	0.0	44687
Malaysia	$17.704	18.636	0.0	44686
Philippines	$18.097	19.050	0.0	44699
Singapore	$12.170	12.811	0.0	44700
Thailand	$19.885	20.932	0.6	44717
South East Asia	$24.580	25.884	0.0	44718
US Dollar Liquidity	$9.557	10.035	0.6	44675
Cater Allen Investment Management (CI)				
CA Gilt Income	£8.45	8.12xd	10.34	44830
CS Equity Gwth	£4.53	4.03	2.22	44832
Citibank (CI) Ltd "Citifunds"				
Short term Investment Funds				
Irish £ May 6	133.9839		-	44841
Equity Funds				
Japan Equity May 6	¥10.0283		-	44845
US Em Hi May 10	$21.2685		-	44849
GB Em Tech May 10	$24.1370		-	44851
Citicare May 10	$32.8457		-	44852
Bond Funds				
HYB Uni May 10	$93817.139		-	44856
Special Assets (B) May 4	FFr11423.463		-	-
Citibank N.A.				
Libra 2000 Feb 28	$99.62		-	-
Libra 2000 Intl Feb 28	$99.62		-	-
Coutts & Co (Jersey) Fund Managers Ltd				
Coutts Money Market Fund Ltd				
Dollar Class	$38.5093		1.83	45658
Sterling Class	£27.5769		4.79	45661
D-Mark Class	DM60.1155		6.82	45662

Focus on

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on Denmark

ALTHOUGH pressures inside the Exchange Rate Mechanism have subsided in recent months, close attention will be paid to the Danish krone's moves inside the system this week, *writes James Blitz.*

With only 10 days to go to Denmark's second referendum on European Monetary Union, some dealers will be jittery about the Danish currency. Few can forget that the rejection of the first referendum nearly a year ago was the overture to the autumn currency crisis.

UK clearing bank base lending rate
6 per cent
from January 26 1993

There appears to be a better chance of the treaty being ratified by the Danish people this time, although an opinion poll on Friday showed that the number of people voting No in the referendum had increased from 33 per cent to 39 per cent.

The Danish krone therefore starts the week somewhat weaker in the ERM grid, with a divergence of 42 percentage points against its central Ecu rate. Several opinion polls are due to be released this week and they will be closely watched.

One factor which may support the krone is the D-Mark's weakness against most European currencies, which has been a theme of recent trading.

Barely a week goes by now without the Bundesbank easing some instrument of monetary policy, and there will be a close wetch again on Wednesday's repo rate fixing.

There were signs last week that the weakness in the German economy was starting to make itself felt in the dollar/D-Mark exchange rate. Despite a poorer than expected non-farm payroll figure for April, the dollar rose by nearly ½ a pfennig on the day.

This week's US indicators may help investors decide what view to take of the US economic upturn. Retail sales figures for April are due out on Thursday. Friday sees the release of industrial production figures for the same month.

£ IN NEW YORK

May 7	Close	Previous Close
£ Spot	1.5855-1.5865	1.5730 1.5740
1 month	0.38-0.37pm	0.38 0.37pm
3 months	1.13-1.11pm	1.12 1.10pm
12 months	4.15-4.05pm	4.20 4.10pm

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

May 7	£	$
Argentina	1.5790 - 1.5805	0.9980 - 0.9990
Australia	2.2460 - 2.2480	1.4110 - 1.4120
Brazil	53606.0 - 53607.5	33865.0 - 33885.5
Finland	8.5085 - 8.5350	5.3770 - 5.3970
Greece	334.380 - 341.070	211.800 - 216.070
Hong Kong	12.2185 - 12.2350	7.7280 - 7.7290
Iran	2574.00 - 2576.00	1642.00 - 1644.00
Korea(Sth)	1252.40 - 1272.60	794.20 - 800.40
Kuwait	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for May 6

CURRENCY RATES

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesete per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. May 7) 3 months US dollars 6 months US Dollars

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

BRUSSELS One month	7⅞	-⅛	MILAN One month	11⅞	-⅛
Three month	7⅝	-⅛	Three month	10⅝	-⅜
AMSTERDAM One month	7.575	Unch'd	DUBLIN One month	8⅛	-⅛
Three month	7.545	Unch'd	Three month	7⅞	-⅛

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	Roxburghe Bank Ltd	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Royal Bk of Scotland	6
Bank of Baroda	6	●Robert Fleming & Co	6	●Smith & Williamson Secs	6
Banco Bilbao Vizcaya	6	Girobank	6	Standard Chartered	6
Bank of Cyprus	6	●Guinness Mahon	6	TSB	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Unibank plc	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	May 7	May 6	May 5	May 4	Apr 30	Apr 29	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2793.7	2786.3	2796.5	2812.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3109.5	3114.7	3119.1	3133.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1392.9	1390.5	1394.8	1402.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-A All-Share	1379.45	1377.63	1381.77	1389.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	1142.41	1152.03	1153.13	1148.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Government Secs.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MAY 7 1993 US Dollar Index	Day's % chg ($) since 31/12/92	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/92	Gross Div. Yield	THURSDAY MAY 6 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (68)	137.84	+10.2	129.75	96.10	113.41	129.40	+8.9	3.82	137.83	129.97	95.92	112.98	130.04	144.19	117.39	149.52
Austria (18)	143.61	+2.5	135.19	100.13	118.16	117.53	+0.1	1.74	142.65	134.71	99.42	117.10	117.11	150.96	131.16	165.05
Belgium (42)	147.24	+10.5	138.60	102.65	121.14	118.16	+8.2	4.79	148.14	139.89	103.23	121.61	118.91	156.76	131.19	141.16
Canada (110)	126.92	+9.8	119.47	88.49	104.41	116.81	+9.7	2.83	127.79	120.67	89.05	104.89	117.56	127.88	111.41	126.66
Denmark (33)	224.72	+20.7	211.53	156.68	184.88	186.59	+17.5	1.22	225.64	213.08	157.25	185.23	186.59	225.64	185.11	239.27
Finland (23)	100.43	+44.3	94.54	70.03	82.63	113.54	+48.6	1.08	99.63	94.08	69.44	81.79	113.38	100.43	65.50	81.43
France (96)	158.23	+7.5	148.95	110.32	130.17	132.36	+3.6	3.39	161.56	152.57	112.59	132.62	134.89	187.88	142.72	164.23
Germany (62)	112.58	+8.2	105.98	78.51	92.62	92.62	+5.7	2.26	113.57	107.25	79.16	93.23	93.23	117.10	101.59	118.81
Hong Kong (55)	275.39	+24.3	259.23	192.00	226.58	273.25	+24.1	3.39	274.56	259.27	191.34	225.40	272.42	277.23	218.82	232.53
Ireland (15)	159.37	+17.4	150.02	111.11	131.12	145.86	+23.7	3.62	160.75	151.80	112.03	131.96	146.70	170.40	129.28	162.16
Italy (73)	70.58	+28.6	66.44	49.21	58.07	76.91	+27.4	2.56	70.36	66.44	49.03	57.76	76.59	76.59	53.78	69.99
Japan (470)	146.27	+39.3	137.69	101.98	120.36	101.98	+23.0	0.82	145.67	137.56	101.52	119.60	101.52	146.85	100.75	101.67
Malaysia (69)	322.41	+23.3	303.49	224.78	265.25	318.49	+20.9	2.12	317.76	300.09	221.45	260.86	313.86	324.36	251.68	242.75
Mexico (18)	1507.12	-8.5	1418.69	1050.80	1239.96	5187.28	-7.7	1.31	1491.60	1408.56	1039.51	1224.48	5104.52	1725.81	1410.30	1640.06
Netherland (24)	169.67	+12.1	159.71	118.30	139.60	137.53	+9.4	4.02	169.87	160.41	118.38	139.45	137.46	172.75	150.39	155.52
New Zealand (13)	47.62	+11.0	44.82	33.20	39.18	46.20	+4.3	4.73	47.56	44.91	33.15	39.04	46.23	49.32	40.56	44.62
Norway (22)	162.05	+17.7	152.54	112.98	133.32	147.14	+13.8	1.78	166.21	156.96	115.83	136.45	150.70	166.21	137.71	186.21
Singapore (38)	240.09	+12.5	226.01	167.40	197.53	178.30	+10.5	1.89	241.89	228.43	168.58	198.57	179.69	243.60	207.04	215.56
South Africa (60)	186.77	+26.1	175.81	130.21	153.66	187.78	+19.5	2.68	187.74	177.29	130.83	154.11	187.53	188.30	144.72	245.09
Spain (45)	129.98	+11.5	122.35	90.62	106.93	114.02	+12.7	5.31	131.08	123.79	91.36	107.61	115.00	132.82	115.23	152.68
Sweden (36)	177.74	+7.4	167.31	123.93	146.24	192.21	+10.9	1.75	176.25	166.43	122.83	144.69	189.81	177.74	149.70	191.76
Switzerland (56)	122.40	+8.3	115.22	85.34	100.71	108.32	+5.5	2.01	123.24	116.38	85.89	101.18	108.50	123.58	106.91	103.49
United Kingdom (218)	178.63	+3.6	168.15	124.53	146.95	168.15	-0.4	4.06	177.71	167.82	123.84	145.87	167.82	181.99	162.00	195.82
USA (519)	180.64	+1.4	170.04	125.95	148.62	180.64	+1.4	2.82	180.97	170.90	126.13	148.57	180.97	186.27	175.38	189.70
Europe (765)	146.63	+7.8	138.03	102.24	120.64	130.92	+4.9	3.40	147.02	138.84	102.46	120.70	131.27	149.02	133.92	152.75
Nordic (114)	169.44	+14.3	159.50	118.14	139.41	160.57	+15.4	1.55	168.91	159.51	117.72	138.66	159.63	169.44	142.13	179.94
Pacific Basin (713)	149.65	+36.4	140.67	104.34	123.12	107.97	+22.2	1.10	149.04	140.75	103.87	122.36	107.52	150.03	105.89	107.72
Euro-Pacific (1478)	148.29	+23.2	139.59	103.39	122.00	118.02	+14.6	2.03	148.10	139.85	103.20	121.57	117.86	148.94	117.26	125.94
North America (629)	177.29	+1.8	166.98	123.62	145.89	176.29	+1.6	2.83	177.65	167.78	123.82	145.86	176.65	182.38	171.51	167.01
Europe Ex. UK (547)	126.80	+10.9	119.36	88.43	104.35	109.87	+8.7	2.94	127.82	120.70	89.09	104.95	110.61	128.65	112.51	127.32
Pacific Ex. Japan (243)	183.30	+17.7	172.54	127.82	150.82	166.85	+15.7	3.26	182.69	172.52	127.34	149.99	166.65	184.84	152.70	167.29
World Ex. US (1666)	148.77	+22.5	140.04	103.73	122.40	120.02	+14.3	2.05	148.61	140.34	103.58	122.00	116.67	149.39	118.51	128.28
World Ex. UK (1967)	156.51	+14.7	147.32	109.13	128.78	135.75	+10.0	2.16	156.60	147.88	109.14	128.57	135.76	167.19	134.22	136.14
World Ex. So. Af. (2125)	158.37	+13.4	149.06	110.43	130.81	138.33	+8.6	2.34	158.37	149.56	110.38	130.02	138.31	158.98	137.29	140.59
World Ex. Japan (1715)	166.78	+4.8	157.00	116.30	137.24	158.80	+3.6	3.03	167.10	157.80	116.47	137.20	159.20	169.09	157.47	163.47
The World Index (2185)	158.46	+13.5	149.16	110.48	130.38	138.78	+8.9	2.35	158.46	149.64	110.44	130.09	138.75	159.07	137.32	141.28

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes during the week ending 7/5/93: Additions: Jelmoli (Bearer 50) and Jelmoli (Registered 10). Deletion: Jelmoli (Bearer 500) (all Switzerland). Name change: British Columbia Telephone to BC Telecom (Canada). Danish market closed May 7.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		17½xd	2.2	68c	FeMyAuNv	13.4	1503
Allegheny & W	♥	494p	0.2	30c	–	–	–
Amdahl		369¼p	–6.0	10c	NvFeJeAu	31.1	–
Amer Cyanamid		33⅝	1.9	$1.85	MrJeSeDe	8.0	–
Amer Express		18⅛xd	0.2	$1.00	FeMyAuNv	30.3	1594
Amer T & T		39xd	0.7	$1.32	FeMyAuNv	28.12	1597
Ameritech		47½	–.5	$3.68	FeMyAuNv	29.3	–
BankAmerica		29⅛xd	1.5	$1.40	MrJeSeDe	18.2	1744
Bankers NY		44½xd	0.4	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		33⅛	1.1	$2.68	FeMyAuNv	4.7	–
BellSouth		32⅞	–2.6	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel	♥	12⅞xd	4.2	–	MrJeSeDe	9.0	1827
Bowater		1363pxd	–.3	80c	OcJaApJy	8.8	1864
CPC		28xd	3.9	$1.28	JaApJyOc	29.3	2263
Cadiz Land Inc	♥	68½p	—	–	†	–	–
California Engy		1358p	1.2	–	–	–	–
Chase Manhattan		19⅞xd	1.3	$1.20	FeMyAuNv	27.4	3109
Chrysler		26⅝xd	2.7	60c	ApJyOcJa	18.5	2135
Citicorp		17¾xd	–1.4	–	–	29.10	3141
Colgate-Palm		39½xd	1.7	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1482p	–1.3	60c	DeMrJeSe	31.5	–
Dana		31½xd	1.9	$1.00	MrJeSeDe	24.2	2306
Data General		602p	–1.6	–	–	–	–
Decora Inds.	♥	126p	—	–	†	–	–
Dun & Brad		37⅝	–.3	$2.44	MrJeSeDe	13.2	–
Eaton		55⅞	–3.0	$2.20	FeMyAuNv	2.2	2418

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
¶ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.

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FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Quality Software (Electronics) and Emperor Mines (Mines). Deletions: Crown Communications (Media).

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4 pm close May 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

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- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

4 pm close May 7

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.7	16	122	17¾	17⅝	17¾	+⅛
20¾	17	SCOR US Cp	0.32	1.7	45	14	18⅞	18¾	18¾	
28¾	20	SPS Techno	1.28	4.9	18	41	26½	20	26⅜	+¼
14½	12⅞	Sabine Rt	2.09	14.7	16	93	14⅜	14¼	14¼	
13⅛	8⅞	Safecard	0.10	0.8	18	45	12⅛	12⅛	12⅛	-¼
28½	17	Safeg'd Sc			8	21	18¾	18⅝	18⅝	-⅛
24¼	16¼	SafetyKln	0.36	2.1	23	1549	17⅛	16¾	17	
15¾	10⅞	Safeway			18	2385	u15¾	15¼	15¾	+½
3⅞	2	SafewayWSS				118	3¼	3⅛	3¼	+⅛
44½	37½	StJoePaper	0.60	0.5	77	18	39⅝	39⅜	39⅜	-⅛
37⅞	31	StJosL&P x	1.78	4.8	18	3	36¾	36½	36¾	
83¼	75	St Paul's	2.80	3.4	12	496	61⅞	61⅛	61⅞	+⅛
9⅝	7⅞	SalantCrp			4	5	8⅞	8¾	8⅞	
75¼	42½	Sallie Mae	1.20	2.4	11	3758	50¾	49⅝	50	
13⅞	13	Salomon Br x	0.36	2.7		470	13⅜	13¼	13¼	-⅛
41⅞	34⅞	SalomonInc	0.64	1.6	18	929	36½	35⅞	36⅜	+½
28⅞	23¼	SanDgo G&E	1.48	5.7	14	237	26⅝	26	26⅛	-⅜
4⅞	3½	SantaFeEDu	0.40	10.7	41	44	3⅞	3¾	3¾	
11⅞	9⅛	SantaFeERs	0.16	1.4	125	536	11½	11¼	11¼	-⅛
40¾	35¾	SantaFePac	2.06	7.3	13	45	38⅝	38⅜	38½	-⅛
18⅞	12¾	SantaFeSin	0.10	0.6	17	3409	16	15¾	15¾	-⅜
31⅛	23⅞	Sara Lee	0.58	2.3	16	4074	25⅞	25⅜	25¾	+⅜
46⅞	40⅛	Scana Corp	2.74	5.8	15	230	u46⅞	46⅝	46⅞	+⅛
49⅝	43	Scecorp	2.80	5.8	14	1844	48⅞	48½	48½	-¼
36⅞	29⅞	ScherarRP			26	30	29⅛	29	29⅛	+⅛
68½	51¾	ScheringPl x	1.00	2.7	17	2042	66⅝	65½	65¾	-1
66	55⅞	Schl'berger	1.20	1.9	24	2880	64½	63⅞	63⅞	

[illegible]

NASDAQ NATIONAL MARKET

4 pm close May 7

[illegible]

AMEX COMPOSITE PRICES

4 pm close May 7

[illegible]

MONDAY INTERVIEW

Blessed with a bit of luck

Edmond Alphandéry, France's new economy minister, speaks to **David Buchan and Alice Rawsthorn**

'There is no reason to worry about the franc'

This is take-off week for France's new economy minister. He is a co-pilot of the Balladur government's budget which will be unveiled today, and later he will be flying solo with the draft legislation he has prepared to make the Bank of France independent and to sell off many of France's state-owned companies.

It is a big chance for Edmond Alphandéry, a 49-year-old academic economist-turned-politician, to put his well-honed ideas on money, central banking, savings, taxation and Europe into practice. His much-repeated overall aim is to "re-establish a climate of confidence" in France. A small part of that, however, involves public confidence in the minister himself.

Certainly, Mr Alphandéry seems to have what Napoleon desired for his marshals – a certain amount of personal luck. Perhaps wisely, in 1986 he stayed out of the Chirac government, preferring to write a book from the parliamentary backbenches on the dangers for the centre-right of "cohabiting" with President François Mitterrand.

Six years later, wiser still, he made the opposite calculation. Last December he turned down Mr Mitterrand's suggestion that he go to Brussels as an EC commissioner, banking on the fact that the centre-right would form the next government and gambling on the hope he might get the economy portfolio.

True, this portfolio is no longer the super-ministry which the late Mr Pierre Bérégovoy once ruled over. In particular, prime responsibility for the budget is lost to Mr Nicolas Sarkozy, a long-time Balladur associate. This explains why Mr Alphandéry is "minister of the economy", with "finance" dropped from his title.

Mr Alphandéry is well qualified for the job. Almost overqualified in the eyes of some of his countrymen who regard as suspect his study of monetarist and free market economics at The University of Chicago and at Berkeley, as well his later teaching stint at Pittsburgh. "There I learnt the theory of prices, which is a superb science in explaining virtually everything that goes on in an economy," he says. "When I came back, I was one of the first French economists to teach price theory à l'Anglo-Saxon."

He still tends to see the economy in terms of the free play of supply and demand more than many Frenchmen's penchant for administrative direction, whether in housing policy or interest rates. Indeed, he insists that in cutting its official rates five times in the past month the Bank of France was "not forcing the market, but following it".

It would not have been in his power or that of the French central bank to dictate to the market, he stresses. "Supply and demand on the market are such that rates are pushed down ... they [rates] are higher than they could be, and rational expectations are for a lowering of rates in France."

Nonetheless, this member of the centrist, Christian Democrat CDS wing of the UDF federation does not want to be branded a free-marketeer. "Not every economist who masters price theory automatically falls in love with the market ... My approach is more the German social market than the free market in all its brutality." He remains, therefore, very French in his preference for fixed exchange rates and carefully controlled privatisation.

There is also an element of luck in the timing of his arrival in the plush sixth-floor ministerial office of the Bercy fortress constructed by Mr Bérégovoy. Though predictions about the slump in the "real economy" have worsened in the past month, the monetary indicators have all moved in the right direction. He claims to have predicted months ago a stronger franc and lower interest rates, on the basis of four factors.

First, "hourly wage costs are about 20 per cent lower in France than in Germany". Second, even if the rate of price rises has slowed in Germany because of recession and in France has recently risen, "there is still an inflation differential of more than 1.5 percentage points in France's favour". Third, "we in France still have a current account surplus while Germany has a deficit." Finally, "even though our [budget] deficit has got worse, it is still comparable with Germany's deficit".

Therefore, the minister claims that it was quite logical that when the new government came in, promising to "use whatever means necessary to defend the franc", two things should have happened. The franc has strengthened from a rate of FFr3.40-41 to the D-Mark in March to below FFr3.37 last week, and "I sleep quietly knowing that there is no reason to worry about the franc".

The interest rate on three-month money has also dropped from 10.69 per cent on March 29, the day after the Conservatives' parliamentary victory, to below 8 per cent last week. Of equal consequence to borrowers has been the commercial banks' 0.75 per cent cut in their base rate to 9.25 per cent, "its lowest level since July 25 1986", Mr Alphandéry declaims with pleasure.

But is less than a 1 percentage point cut in banks' lending rate enough to revive France's economy? "Far from it," he says. "The level of our rates is not where it should be. But we have a further margin of manoeuvre and the European Monetary System (EMS) does not block us from using it. Clearly, it would be more agreeable to cut rates when the Germans do. But if they do not want to do so sufficiently, that is their business – we will still be able to do so."

On public finances, the government seems boxed in, though the minister claims the tax increases to be announced today "can have a positive effect if they give credibility to the government and confidence to the country". But he claims the government's "second margin for manoeuvre" is the amount of state assets it chooses to sell off.

This month's privatisation bill will broadly follow the lines of a similar operation by conservatives in 1986-87, including reserving chunks of shares for *"noyaux dur"* shareholder groups. "Rather than have control of a company raffled back and forth on the stock market ... it is far better for its management to have a certain number of shareholders of reference, who know the company's strategy and have an interest in it succeeding," says Mr Alphandéry.

Privatisation's pace will depend "on the stock market's absorption capacity ... and we will see how things look at the end of the summer break". But the purchasing power is there, says Mr Alphandéry. The question, rather, is how to get some of the FFr1,200bn now in short-term money funds (Sicavs) into long-term savings or equities. The recent drop in short-term rates is helping. But the minister also wants to give long-term savers a tax break, of which first signs could come today.

For all his talk of margins of manoeuvre, there are self-imposed constraints the minister positively welcomes. One, of course, is putting France's current low inflation/strong money record into the hands of an independent Bank of France for safe-keeping.

Mr Alphandéry, however, claims the new system which he will unveil on Tuesday will be "very French", differing from the Bundesbank and the US Federal Reserve in being centralised (as distinct from federal) and in leaving the Bank of France's banking supervision role intact.

He gives no support to persistent rumours that France and Germany will narrow the EMS band within which their currencies move against each other, or that their central banks will take some joint institutional step towards closer co-operation.

"There is plenty already on the table – *il y a du pain sur la planche* – with the European Monetary Institute due to be set up within eight months, and with all that needs to be done to respect the [Maastricht treaty's] convergence criteria."

When he was an opposition economist, Mr Alphandéry admits, he was one of the first to say Maastricht's targets should be "relativised" or softened to reflect harder economic times. Now, as economy minister, he says "we can't go back on these criteria – they are a spur to the necessary discipline" for monetary union. But the treaty still allows flexible interpretation of the targets, he stresses.

PERSONAL FILE

1943 Born in Avignon.
1966 Graduated from Institut d'Etudes Politiques in Paris and went to The University of Chicago.
1968 Assistant lecturer at University of Paris.
1976 Entered politics in Maine-et-Loire.
1986 Declined offer of ministerial post in cohabitation government.
1993 Appointed economy minister.

The last wise man speaks out

MICHAEL PROWSE on AMERICA

An ounce of emotion is worth a ton of facts. I was told by one of my first editors. It is a lesson that George Kennan seems to have learned well. His idiosyncratic new book, Around the Cragged Hill: A Personal and Political Philosophy* is delectably outspoken. It combines intensely personal reflections on the human predicament with a searing, yet good-humoured, critique of modern American society.

Mr Kennan, a veteran diplomat and scholar, once earned the sobriquet "America's last wise man." Still best known for his role as a principal architect of the US's post second world war "containment of communism" strategy, he has in his late 80s begun to turn his mind to domestic matters.

He has two suggestions for solving US social woes, both of which are too bold to be taken seriously in Washington. The first is the division of the US into 12 largely self-governing republics, such as "New England", the "old south", the "northwest" and so on. He argues that the US, along with the former Soviet Union, China, India and Brazil, is a "monster country", ungovernable because it is simply too big and diverse to be run from a single capital city. The states, on the other hand, are mostly too small to become viable independent units.

He claims the false premise in all domestic debates – be it health care, drugs, abortion or whatever – is that any one policy either could or should suit all parts of the continent. Virtual dismemberment is the only long-run solution; it would have the advantage, he says, of allowing southern regions to merge into Latin America if that is what they want. (Actually this idea does have some support: in the Pacific northwest pundits have pondered the feasibility of hiving off a few states and creating a separate country called "Cascadia").

Mr Kennan's other idea is to create a "Council of State" consisting of nine distinguished citizens drawn from any walk of life except politics. They would be appointed by the president but he (or she) would be able to choose only from a panel of 100 people, selected strictly on merit and without political bias. Mr Kennan hopes that such a council, while formally only an advisory body, would eventually gain the same kind of clout as the Supreme Court. It would address the great domestic issues of the day, such as the budget deficit and health care, and try to determine what is in the nation's long-term interest.

The great virtue of the council, Mr Kennan argues, is that it would be non-elected. In some measure it would thus compensate for the inadequacies of Congress and the presidency, bodies whose ability to act in the national interest have been fatally undermined by short-term political pressures.

His personal and political philosophy is just as startling. He starts from the premise that man is an irredeemably flawed vessel. His crude innate impulses – especially the desire to prevail over others – are permanently in conflict with morality and the ideals of civilised life. Mortality and the cruel vagaries of chance, meanwhile, create an "inevitable element of tragedy" in every human life.

The only way out is through religious faith. Yet, in common with many others, Mr Kennan has found the concept of an all-powerful God impossible to reconcile with a world of arbitrary suffering. His novel solution is to believe in two Gods: a Primary Cause who brought the physical world into being and has no interest in our fate; and an entirely separate Merciful Deity, partly within us, to whom we can turn at a time of need. This latter deity has no control over the objective conditions of our lives but, for believers, provides a superhuman reservoir of spiritual strength. Mr Kennan writes movingly of his contact with this deity.

His political philosophy defies conventional categories. He roundly condemns America's "intense commercialism" and fails to see anything desirable in economic growth *per se*. "Would there not be something diseased, something cancerous, something open-ended and unstable, about an economy that had to be constantly growing to be seen as adequate to national needs?" Yet he has no time for left-wing critics of market economics either, largely because their utopian philosophies fail to come to terms with man's flawed nature.

He castigates the lip service paid to egalitarianism, rejecting the claim that heavier taxes on the rich can possibly make anybody else better off. "I find, in the liberal treatment of these questions, so much oversimplification, social jealously and intellectual posturing that I have no choice but to disassociate myself from it." Indeed, he is sufficiently indifferent to fashionable opinion to lament the disappearance of domestic service, inviting the reader to imagine de Tocqueville, or any great writer, washing pans and emptying the trash.

There is a disturbingly elitist and authoritarian undercurrent in much of Mr Kennan's book: at times he does not bother to hide his conviction that most people do not really know what is good for them. Yet there is also a bite and an honesty in his writing that is wonderfully refreshing.

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Lost soul of socialism

IAN DAVIDSON on EUROPE

They say socialism is dead. Such an over-simplification is almost certainly misleading; it may even be wrong. Conservatives utter it as a mindless cry of triumph. But they do not tell us the answer to the next question: does this mean that our democracy will now start to work a little better; or will it in fact work a lot worse?

It is a fact that Marxist dogma and communist practice have both suffered comprehensive intellectual and political defeats in eastern Europe. Moreover, many socialist parties in western Europe have also been struck by a series of disasters in the recent past.

In March, the French Socialist party suffered its greatest electoral defeat in the country's modern history. The impression that France's ageing Socialist president, François Mitterrand, is just the lone relic of a *fin de régime* has been tragically underlined by the suicide of his former Socialist prime minister and ally, Mr Pierre Bérégovoy.

His longstanding rival, Mr Michel Rocard, has now seized control of the Socialist party in the hope that he can arrest, and if possible reverse, its total collapse. Rocard is trying to rebuild the party on entirely new bases, possibly in alliance with other political forces.

In Italy, the crisis wreaking mayhem throughout the political establishment was detonated by revelations of wholesale corruption in the Socialist party. Bettino Craxi, the former prime minister, is one of many leading politicians under investigation for corruption and has been forced out of the leadership of the party. His successor, Giorgio Benvenuto, has already promised sweeping reforms, which could go as far as the formation of a new party, with a new name and a new symbol, possibly in alliance with other political parties.

In Germany the Social Democrat Party (SPD) is in disarray after the abrupt resignation of its leader, Mr Björn Engholm, following damaging new revelations about an old dirty-tricks episode. In Spain, the ruling Socialist party has been tarnished by a decade in power and by corruption, and faces defeat in next month's general elections. In Britain, the Labour party snatched defeat from the jaws of victory in the last general election. Paralysed by convention and past dogmas, it looks set to be defeated again in the next.

In fact, if you exclude the Labour party, most of this cluster of events can be explained simply by the spread of political corruption and dirty tricks. In Italy and France all the main parties of government, not just the Socialists, have been deeply implicated in illegal party-financing skulduggery. It's just that the French Socialists seem to have done it more systematically than the other parties. In both countries, the voters only rebelled after magistrates exposed systematic law-breaking.

Jean-Marie Guéhenno, who is head of policy planning at the French Foreign Ministry, thinks we should not be surprised by the spread of corruption. In his new book, he argues that political corruption is just one of the logical consequences of global markets, international networking and the information revolution. Other consequences are the reduction of all other values to money, the overwhelming of national political systems and the disintegration of traditional democratic values. You may not be surprised to learn that his book is called La Fin de la Démocratie (published by Flammarion).

His diagnosis may be too pessimistic. But it is clear that the forces at work in the new international economic environment make it very difficult for any government to follow old-fashioned socialist policies, without retreating into Cuba-style isolation and backwardness. France's Socialists tried it in 1981, but by 1983 they discovered they must choose between socialism and the European Community; they chose Europe.

Leaders such as Michel Rocard and Giorgio Benvenuto and, yes, John Smith, face a double challenge – to salvage something plausible from the implicit corpus of socialist ideals, in terms which are consistent with market pricing, and to see if this can be made into a vote-winning platform of government.

Neither task will be easy. Chunks of the old socialism, including nationalisation and command interventionism, have fallen into the road. Swathes of the old socialist voters, such as trade unionists from heavy industry, have migrated to the middle classes, to informal employment, or to unemployment. Today's central challenge, moreover, is not redistribution or expanding the welfare state, but the generation of wealth on competitive terms.

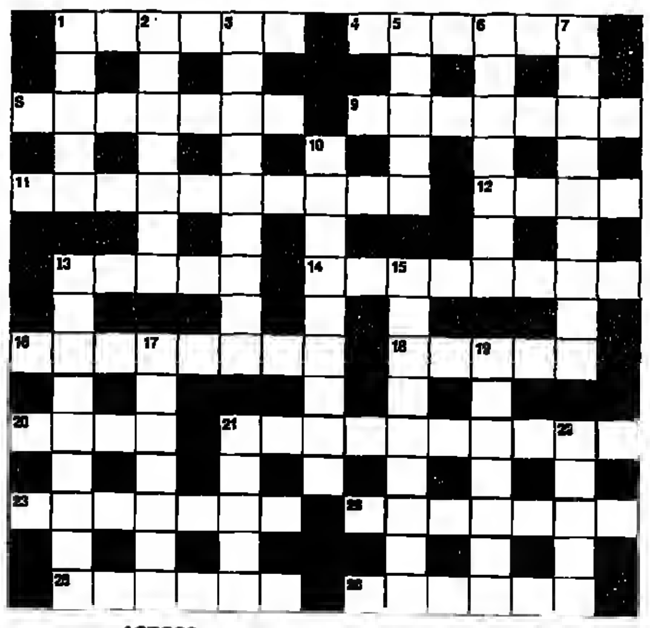
But the task cannot be impossible, because British-style conservatives are also imprisoned in their own philosophical quandary, which is just as difficult. This is the quandary of reductionism or political alienation. The problem with liberal democracy is that liberalism is all about the individual, and about costs and prices, whereas democracy is all about shared values, common interests and collective action.

The tension between the two is unavoidable. The more the conservatives press the pedal of liberalism, the more they glorify the individual against the community, the more they elevate commerce against culture, the more they stress prices against values.

This must leave room for an alternative view of society and culture, community and social solidarity. Many years ago, a German coined the concept of a social market economy; and he was a conservative. If Jean-Marie Guéhenno is right, money is now the only value, even in politics. But if he is wrong, perhaps an updated socialist party could take over the concept of One Nation.

CROSSWORD

No.8,146 Set by DANTE



ACROSS

1 A kiss in love story, say – a neat ending (6)
4 Yank architect honoured (6)
6 Clued in a way to take one in (7)
9 Turns to see new wives putting on pounds (7)
11 Mind the baby – what an original idea! (10)
12 Main shareholder? (4)
13 Principle of having it both ways? (5)
14 Simple or complicated requests (8)
16 Account many wrongly tried to sanction (8)
18 A supporter of the electricity supply industry (5)
20 Rigid forms of worship (4)
21 Such love is not common (10)
23 Trust company wrongly fined (7)
24 One in nine in plot is perplexed (7)
25 Turning points in making purchases (6)
26 They go downhill fast in cold weather (8)

DOWN

1 He may have the lot or about three quarters (5)
2 Not like novel writer (7)
3 Drew attention to article pocketed by accused (9)
5 Among the staff we quarrelled (5)
6 Book to see actor/composer (7)
7 Nobody pays an egg producer around the end of October (9)
10 It's not usually held by colliers or clergymen (9)
13 Lectured, having recorded attendance of pupils (5,3)
15 Two noises not amounting to much (9)
17 Still in a terrible fluster (7)
19 In France the one indisputable freedom (7)
21 Not above using two foreign articles (5)
22 Level betting for the first woman to get two points (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 22.